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Groups of countries in special situations: specific actions related to the particular needs and problems of landlocked developing countries: outcome of the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation

Implementation of the Almaty Programme of Action: Addressing the Special Needs of Landlocked Developing Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries

Report of the Secretary-General

Summary

The present report is submitted pursuant to General Assembly resolution 62/204, in which the Assembly requested the Secretary-General to submit to the Assembly at its sixty-third session a report on progress made, lessons learned and constraints encountered in the implementation of the Almaty Programme of Action, including recommendations, with a view to the midterm review of the Programme of Action to be held during two days of high-level plenary meetings, on 2 and 3 October 2008, during the sixty-third session. As described in this report, over the past five years, both landlocked and transit developing countries with the support of their development partners progressed in implementing specific actions assigned to them in the Almaty Programme of Action. Partnerships to address the special needs of landlocked developing countries have further strengthened.

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I. Introduction

1. Following the adoption of the United Nations Millennium Declaration, which called for a global partnership to address the special needs of landlocked developing countries, and pursuant to General Assembly resolution 57/242, the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation was held in August 2003 in Almaty, Kazakhstan. The Conference adopted two outcome documents: the Almaty Declaration and Almaty Programme of Action: Addressing the Special Needs of Landlocked Developing Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries.[1]

2. The overarching goal of the Almaty Programme of Action is to forge partnerships to overcome the special problems of landlocked developing countries caused by their lack of territorial access to the sea and their remoteness and isolation from world markets. The Almaty Programme of Action recognized the direct link between transport, international trade and economic growth and identified specific actions in five priorities, namely fundamental transit policy issues, infrastructure development and maintenance, international trade and trade facilitation, international support measures, and implementation and review, to establish efficient transit systems.

3. Over the past five years, landlocked and transit developing countries with the support of their development partners made tangible progress in implementing the specific actions agreed upon in the Almaty Programme of Action. Landlocked and transit developing countries in Africa, Asia and Latin America have moved the transit transport issue higher in the priority list of their development agenda. The Almaty process provided a sound framework for win-win solutions to transit transport issues for both the landlocked and transit developing countries. They strengthened their policy reform efforts, while development partners provided increased development assistance. The international community came to recognize that high transit transport costs represent a more important barrier than most favoured nation tariffs for landlocked developing countries. The most striking feature of the progress towards the implementation of the Almaty Programme of Action since 2003 has been the across the board recognition of the special needs of landlocked developing countries and the much stronger engagement of development partners with respect to transport infrastructure development and trade facilitation, as well as aid, debt relief and market access. Multilateral and development institutions and regional organizations have allocated much greater attention and resources to the establishment of efficient transit systems.

4. In paragraph 9 of its resolution 62/204, the General Assembly decided to hold two days of high-level plenary meetings devoted to the midterm review of the Almaty Programme of Action during the sixty-third session of the Assembly in New York. In paragraph 10, the Assembly stressed that the midterm review should provide the international community with an opportunity to make an assessment of the progress made, lessons learned and constraints encountered in the

[1] *Report of the International Conference of Landlocked and Transit Developing Countries and Donor Countries and International Institutions on Transit Transport Cooperation, Almaty, Kazakhstan, 28 and 29 August 2003* (A/CONF.202/3), annex I.

implementation of the Almaty Programme of Action and agree on what needed to be done to further galvanize global partnerships to assist landlocked developing countries in strengthening their effective participation in international trade and the world economy.

II. Overall socio-economic situation in landlocked developing countries

5. There are 31 landlocked developing countries with a total population of 370 million and an area of 16.3 million km^2. Despite some progress, landlocked developing countries continue to face serious constraints in their efforts to achieve the goals of halving extreme poverty and elevating the living standards of their populations and continue to be marginalized from the world economy and international trade system. Although the difficulties of being landlocked permeate every aspect of the development process and poverty alleviation, their impact on the evolution of external trade has been particularly severe. The additional transit transport costs that landlocked countries must bear constrain export development since this burden limits the range of potential exports and markets in which goods can be competitively and profitably traded. High transport costs remain the single most important obstacle to equitable access to global markets by landlocked countries and competition with other countries.

6. The high transport cost of landlocked developing countries' imports inflate the prices not only of consumer goods but also of fuel, capital goods and intermediate inputs, thereby increasing the cost of domestic agricultural and industrial production. Research over the last five years has emphasized the cause and effect relationship between the availability of adequate transport services and the scope for trade-based development, correlating the degree of access to a functioning transport sector with the degree of participation by countries in the global trading system. Transport costs present a tremendous trade-reducing effect. Reduced trade flows directly and negatively impact gross domestic product (GDP). Also, high costs related to unfavourable geographical locations decrease the rate of capital returns required by investors to finance a project within a country. The export structure is also an important factor for transport costs, as transport costs represent a smaller proportion of higher-value exports than of lower-value exports. Also, a larger proportion of regional trade is likely to lower the average transport costs incurred, given the shorter distances usually involved in regional trade.

7. Despite these persisting problems, clear progress has been made in the overall economic development and growth of landlocked developing countries as a group. Landlocked developing countries benefited from the economic environment which has been generally favourable since the adoption of the Almaty Programme of Action in 2003. Global economic growth has been led by developing countries and trade among developing countries has grown faster than trade with developed countries. The economic growth of the major transit countries (China, Brazil, India, the Russian Federation, South Africa and Turkey) has been especially fast and neighbouring landlocked developing countries benefited from spillover effects. The growth in the demand for raw materials has been particularly beneficial to a number of landlocked developing countries.

8. GDP of landlocked developing countries as a group grew by almost 8 per cent per annum for the period 2003-2006. Such rapid growth was mainly driven by higher commodity prices combined with better performance. Despite the disparities between landlocked developing countries annual GDP per capita growth is on the rise, increasing to US$ 688 in 2006 for the group. Excluding Zimbabwe, all landlocked developing countries experienced positive GDP per capita growth for the period 2003-2006.

9. In 2006, foreign direct investment (FDI) received by landlocked developing countries increased to $11.8 billion from $8.5 billion in 2003 and $3.9 billion in 2000. The surge in investment was mainly linked to huge capital flows to oil fields in the Caspian Sea, the construction of the Baku-Tbilisi-Ceyhan pipeline to Turkey, the Atasu-Alanshankou pipeline to China and the exploitation of the Doba oil field in Chad. The combined shares of Kazakhstan, Azerbaijan, Chad and Bolivia accounted for over 70 per cent of total FDI flowing to landlocked developing countries. Oil production was non-existent in landlocked Chad prior to 2003, but with the completion of a 650 mile Chad-Cameroon pipeline in July 2003, the country began producing oil. Since then, Chad's production levels have climbed steadily to reach 160,000 barrels a day in 2006. Massive exploration is taking place and production levels are expected to increase significantly.

10. Combined with low productivity, low return on investment and slow export growth, landlocked developing countries continue to build an unsustainable external debt. The external debt percentage of gross national income (GNI) of landlocked developing countries as a group was 51.1 per cent, almost double that of lower- and middle-income countries. However, progress is evident. The debt-to-export ratio was reduced from 2.25 in 2003 to 1.37 in 2006. The percentage of debt to GNI was reduced to 51.1 per cent in 2006 from 64.9 per cent in 2003. As of February 2008, nine landlocked developing countries (Bolivia, Burkina Faso, Ethiopia, Malawi, Mali, Niger, Rwanda, Uganda and Zambia) had reached the completion point, four (Afghanistan, Burundi, the Central African Republic and Chad) are at the decision point and two (Kyrgyzstan and Nepal) are at the pre-decision point of the Highly Indebted Poor Countries (HIPC) Initiative of the World Bank and the International Monetary Fund. Five landlocked developing countries (Burkina Faso, Ethiopia, Mali, Rwanda and Uganda) had received debt relief under the Multilateral Debt Relief Initiative as of July 2006. However, these countries remain vulnerable to export shocks and are dependent on highly concessional financing and prudent debt management. International assistance for export diversification, institutional capacity-building and market access are essential to prevent them falling back into the external debt trap.

11. With regard to social trends, landlocked developing countries remain not only the poorest countries in terms of per capita income, but most of them also have by far the lowest human development and poverty indicators. The United Nations Development Programme *Human Development Report 2007/2008* shows that 10 of the 20 lowest-ranking countries in the human development index were landlocked developing countries.

12. The economic growth and social well-being of landlocked developing countries remain very dependent on the international economic situation, such as the recent global slowdown, the food crisis, the fluctuation of commodity prices, as well as the recent credit market crisis.

III. Priority 1. Fundamental transit policy issues

13. The Almaty Programme of Action calls upon landlocked and transit developing countries to review and revise their regulatory frameworks to allow greater participation of the private sector in transit transport operations; increase transparency of transit and border regulations; establish streamlined administrative procedures; simplify border control procedures; adhere to international conventions and expand regional and subregional cooperation.

14. Efforts to create a stable economic policy environment in landlocked and transit developing countries are having a positive impact on transit transport operations. A change in attitudes and perceptions has helped to make public services such as customs, ports and railways more service oriented, thereby creating a better environment for transit transport operations.

15. Policy changes in the past five years that have had a direct impact on transit transport include the reform of railways (commercialization or privatization); liberalization of transit services; greater participation of the private sector in transit corridor management and infrastructure development; use of electronic data exchange; establishment of stronger institutional support arrangements for transit; entry into force of comprehensive intergovernmental agreements; increased accession to the multilateral transit conventions; increased collaboration of private and public sectors; and broader cooperation at the bilateral, regional and international levels.

16. Progress has been made in the liberalization of transit transport services at both the national and regional levels. At the national level, initiatives relate to the break-up of railway monopolies and allowing road competition. In many landlocked and transit developing countries, national railway companies now compete with road transport operators on an equal footing. Railways in many countries are now required by Governments to observe commercial principles. Railway privatization programmes typically involve a package of management and capital investment conditions that are offered by private sector-led consortia in return for a time-bound right of exploitation or concession of normally 10-20 years.

17. In West Africa, liberalization of transit traffic services has accelerated since the adoption of the Almaty Programme of Action. The railway line from Dakar to Bamako has been run since 2003 under a private management contract that grants the right to the Canadian-French consortium Transrail for a 25-year period, with an option for another 10-year lease. South Africa has undertaken reforms to ensure increased participation of the private sector in infrastructure development and maintenance. In particular, the TransAfrica Concessionaires and the Bakwena Platinum Concessionaires are responsible for the N4 highway to Maputo in the east and the N4 highway to Botswana and Namibia in the west. Asian landlocked and transit developing countries have also undertaken policy measures to liberalize transit services. For example, liberalization of road transit transport services in the Lao People's Democratic Republic and Thailand resulted in reducing transport costs for the landlocked country by 30-40 per cent.

18. A recent World Bank study noted that in some regions the age of the truck fleet and low vehicle utilization are more critical reasons for high transport costs than the poor condition of road infrastructure, especially in West and Central Africa. Various measures have been taken to remedy the situation, including tax incentives. The

Government of Mali, for example, has granted tax exemptions for new vehicles in order to foster the renewal of the truck fleet for inter-State goods transportation. The Government of Niger, where 80 per cent of vehicles are in a state of advanced depreciation, also uses tax incentives to encourage transporters to renew their fleet of trucks. In Senegal, the Government prohibited the importation of vehicles more than five years old.

19. The impetus of liberalization of transport services at the national level has had a stimulatory effect at the regional levels in some regions. In Eastern and Southern Africa, the breakdown of monopolies at the national levels led to a general relaxation of restrictions, allowing foreign operators to penetrate new markets. The Common Market for Eastern and Southern Africa (COMESA) played a lead role in this regard. The liberal environment in Eastern and Southern Africa has led to fierce competition and efficiency in road transport, forcing railways also to adjust and improve. However, railways and port concessions have often underperformed under new management because of the absence of oversight mechanisms to enforce the agreement and lack of resources. There is a need to build the capacity of African landlocked developing countries to participate effectively in negotiations on concessions.

20. Both the public and the private sector have undertaken institutional reforms. Efforts are under way to strengthen the private and public sector dialogue to address the bottlenecks that exist at different segments of transit services. Many landlocked and transit developing countries have established transport and trade facilitation boards, consisting of representatives from the public sector, including Government agencies dealing with external trade, transport, border-crossing and customs, as well as the private sector, including national chambers of commerce, freight forwarders and other transport service providers. United Nations organizations, particularly the United Nations Conference on Trade and Development (UNCTAD) and the United Nations regional commissions, provided necessary technical assistance in establishing national transport and trade facilitation boards.

21. The private sector in landlocked developing countries has also increasingly established professional bodies, such as road transporters' associations and freight forwarders associations, to provide platforms for representation and dialogue with Governments to promote their common interests and improve the legal framework for transit transport operations. The national professional bodies are affiliated with regional and subregional bodies that represent and promote the interests of their members. These reforms help the public and private sectors cope with their newly acquired roles in society. They also promote an environment for closer public and private sector cooperation and collaboration.

22. An effective regulatory framework and the establishment of an enabling environment are the prerequisites for establishing efficient transit transport systems. International conventions and regional and bilateral agreements ratified by Governments are the main vehicles for the harmonization, simplification and standardization of rules and documentation. Since the adoption of the Almaty Programme of Action, 23 landlocked and transit developing countries acceded to or ratified 14 multilateral conventions in the area of transit transport. The Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, in close cooperation with the Office of Legal Affairs at the Secretariat and the regional commissions, continued its

efforts to raise the awareness of the importance of multilateral conventions and facilitate the accession process for landlocked and transit developing countries. For this purpose, selected transit conventions were included in the 2004 and 2008 United Nations treaty events.

23. An effective strategy to improve transit systems requires, first and foremost, action at the regional level because cooperation between landlocked countries and their transit neighbours is pivotal for the effective solution of many transit problems. For this cooperation to be sustainable it must be promoted on the basis of mutual interests of both landlocked and transit countries. Regional cooperation and integration involving landlocked and transit developing countries can be an asset by pooling limited resources and achieving needed economies of scale. There have been several regional initiatives aimed at improving the availability and use of trade-related transit transport infrastructure for landlocked developing counties at the regional level. In this regard, the New Partnership for Africa's Development (NEPAD) Short Term Action Plan on infrastructure and the Sub-Saharan Africa Transport Policy Programme played an important role in Africa. The Development Corridor and the Spatial Development Initiative have taken root in southern Africa. The Initiative places transit transport in a broader socio-economic context, recognizing the interdependence of transport with other economic sectors including tourism, agriculture, mining and information; it also gives priority to attracting foreign direct investment into the region.

24. Regional economic communities are important institutions that cooperate with multilateral and bilateral donors, as well as regional financial institutions, in the design and implementation of policies for improved transit transport. The Economic Community of West African States and the West African Economic and Monetary Union are joining forces to implement a road transport and transit facilitation programme aimed at making regional trade more fluid through the improvement of transport systems and the elimination of various non-tariff barriers. The components of the programme will be implemented, tested and evaluated on an experimental basis from 2004 to 2009; full implementation will follow in 2009. The programme components are harmonization of the application of the Inter-State Road Transit (ISRT) Convention to pave the way for the adoption of a single ISRT document; establishment of observatories to identify and discourage bad practices along key transit transport corridors; and building of joint border posts to speed up customs formalities at borders.

25. In Latin America, the objective of the Initiative for the Integration of Regional Infrastructure in South America (IIRSA) is to consolidate the physical integration of the 12 South American countries involved by means of bridges, roads, railroads, waterways and gas pipelines. In the six years since the plan was launched, a continental infrastructure strategy was defined based on 10 hubs as geoeconomic benchmarks for land planning and sustainable development management. Thirty-one main integration projects were approved as IIRSA top priorities in 2004. A total investment of $1.7 billion is projected for infrastructure projects, such as road rehabilitation and paving, border crossings and bridge improvement, having a direct impact on the development of the transport system in the two landlocked countries of the region, Paraguay and Bolivia.

26. The East African Community, COMESA, the Southern African Development Community and the Transit Transport Coordination Authority (TTCA) of the

Northern Corridor are playing an increasingly important role. Transit trade and transport facilitation instruments such as the single goods declaration document, which is being replaced by the road customs transit document; the customs bond guarantee scheme; the third party motor vehicle insurance scheme; harmonized vehicle weights and dimensions; and harmonized road transit charges find broad application in the East African region. TTCA monitors the implementation of the COMESA trade and transport instruments along the Northern Corridor. It also continues its efforts to advance other goals such as the simplification of customs and administrative procedures and the harmonization of working hours at border posts, and to promote consensus on the priority projects for infrastructure development and maintenance. COMESA also promoted one-stop border posts in Eastern and Southern Africa. Progress was being made to establish such posts on the Chirundu border between Zambia and Zimbabwe. TTCA reported that a needs assessment study had been carried out and a draft business plan prepared for the Malaba border post between Kenya and Uganda with funding from the United States Agency for International Development.

IV. Priority 2. Infrastructure development and maintenance

27. Efficient transport infrastructure and services are vital preconditions for the development of landlocked developing countries and their effective integration into the international trading system and the world economy. The broad use of information and communication technologies in transit transport operations would greatly increase the efficiency of the existing transit facilities. The key to attaining this objective lies in taking measures geared to halting and reversing the deterioration of physical infrastructure in landlocked and transit developing countries. Interregional and overseas transport and communications facilitate the expansion of trade because trade is only possible if people and goods can physically reach production and consumption areas at a competitive cost. The development of reliable transit transport communications infrastructure requires considerable investment; the establishment of public-private partnerships; capacity-building; legal and regulatory reforms; and institutional and administrative reviews. Coordinating transport infrastructure in one country is already a huge task; doing it across borders is even more difficult.

28. Reliable and up-to-date data to monitor the progress in transit transport infrastructure development in landlocked developing countries are not easily available. The World Development Indicators of the World Bank provide useful but at times not up-to-date data on infrastructure in landlocked and transit developing countries. As part of its efforts to report on progress made in the implementation of the Almaty Programme of Action, the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States compiled a set of macroeconomic indicators, including selected transport and communications statistics, to illustrate progress in landlocked developing countries in achieving the Almaty priorities.

29. As the statistical annex to the current report demonstrates, there has been a little improvement in transit transport infrastructure development in landlocked developing countries. The total volume of road networks in landlocked developing countries was 1.1 million km in 2006, up from about 974,000 km in 2003. The quality of road networks in landlocked developing countries is poor, with only about

33 per cent of the total paved. The combined rail networks of all landlocked developing countries is roughly 35,000 km.

30. Air freighting accounts for a relatively small proportion of landlocked developing countries' foreign trade. However, air transport is important in supporting the passenger and tourism sectors in many landlocked developing countries. The aircraft fleets of individual carriers in landlocked countries are small; the airlines' networks are dispersed and aircraft utilization is low; costs are high. The links among subregions have remained poor because of the lack of appropriate policy for regulating the air transport industry. The number of departures in landlocked developing countries as a group dropped to 135,061 in 2006 from 146,139 in 2000.

31. Pipelines provide the most cost-effective means of transport for both crude oil and its finished products. Pipelines are not only important for oil-exporting countries, but also advantageous for importing countries because they are the least expensive mode of transport for crude as well as finished products over long distances. The total pipeline for landlocked developing countries as a group reached 64,405 km in 2006.

32. Physical links in Africa fall short of expectations: the African network of infrastructure and services is still disjointed. Transport costs are among the highest in the world, which means a high cost of doing business, making products less competitive in international markets. Roads remain the dominant mode of transport in Africa, accounting for 90 per cent of interurban transport. Less than a third of Africa's 2 million km of roads are asphalted. At 6.84 km per 100 square km, road density is well below that in Latin America (12 km per 100 square km) and Asia (18 km per 100 square km). And African network distribution is low, at only 2.71 km per 10,000 people. The East African Community has the most integrated road system, with the smallest share of missing links: 523 km of the total 3,841 km, or 14 per cent. The COMESA area is the second most linked subregion, with 2,695 km of missing links in 15,723 km (17 per cent). The Economic Community of Central African States has the least integrated road system, with 4,953 km of missing links in 10,650 km (47 per cent). Its road network is unusable under some weather conditions.

33. The African rail network is an estimated 89,390 km long, with a density of 2.96 km per 1,000 square km. Network connections are poor, especially in Central and West Africa, and the availability of rolling stock is still very low compared with other regions of the world. All the railway networks in Africa, including interconnected ones, still need to harmonize their operating rules and technical standards. One of the welcome developments since 2003 has been the increased recognition by the international donor community of the importance of adequate infrastructure facilities for achieving the Millennium Development Goals in Africa and the participation of Africa in the international trading system. Accordingly, the allocation of official development assistance (ODA) to African infrastructure development increased substantially.

34. Significant progress has been made in Asia towards coordinated transport infrastructure development. In particular, the Intergovernmental Agreement on the Asian Highway Network, covering 141,000 km of road in 32 countries, which entered into force in July 2005, provides a sound basis for the integrated, coordinated and standardized regional road network for the Asian continent. The

Agreement has made it easier to secure grants and loans to upgrade the Asian highway routes. The upgrading and development of the Asian highway network has been recognized as a priority in national highway planning and incorporated into national plans in many States members of the Economic and Social Commission for Asia and the Pacific (ESCAP) including landlocked developing countries such as Bhutan, Kyrgyzstan, the Lao People's Democratic Republic, Mongolia, Nepal and Uzbekistan. It is estimated that around $25 billion in investment have already been committed for the development and upgrading of Asian highway routes. During 2005 and 2006, about 10,000 km of Asian highways were upgraded to meet minimum standards.

35. The Intergovernmental Agreement on the Trans-Asian Railway Network, covering 81,000 km of rail network in 28 countries, was adopted by ESCAP at its sixty-second session and opened for signature during the Ministerial Conference on Transport held in Busan, Republic of Korea. It will likely come into force in 2008. The effective implementation of this agreement will certainly lead to the operational integration of national railway networks and increased freight and passenger services in Asia. Investment in physical infrastructure development of the Trans-Asian Railway Network has now become an important issue. According to an ESCAP estimate, around 6,500 km, equivalent to 8 per cent of the 81,000 km network, is a missing link, mostly in the South-East Asian subregion. ESCAP is now implementing a project to identify investment needs and development priorities for the network.

36. In Latin America, IIRSA, with its east-west and north-south corridor networks, places Bolivia and Paraguay on the crossroads between the Atlantic and Pacific coasts and between South and Central America. The two countries are served by inland water transport and railways. However, major infrastructural decline and operational problems in these two transport modes, which could have ensured lower transport costs, have allowed the road to emerge as the main mode of transport. This has led to an increase in the cost of transport, thereby reducing profit margins and export earnings and inflating the cost of imports. Bolivia has two major road projects under way, which are expected to be completed in 2010: from Santa Cruz to the Brazilian border at Puerto and a northerly road across the Andes from La Paz to the Brazilian border at Guayaramerin. In Paraguay, a road rehabilitation programme for 2003-2005 to improve roads between Asunción and Pillar and Asunción and San Pedro was completed with assistance from the Inter-American Development Bank. Road links with Bueno Aires have also been improved with construction of a bridge on the Paraná River between Encarnación and Posadas in Argentina. Despite operational difficulties, water transport is still used, especially for Paraguay's grain exports.

37. Transport and communications have entered a new stage in their relationship. The use of sophisticated telecommunication systems not only makes transport operations safer but also enables operators to run more trains or permit a greater number of aircraft landings and take-offs, making more efficient use of existing infrastructure and generating more revenue. The electronic data interchange, enabling documents such as customs declarations to be transmitted in advance of arrivals (by ship, train, aircraft, etc.), has facilitated forward planning by transport operators, port authorities, customs and other agencies, leading to fast customs clearance of goods and improving transit times of ships and other means of transport, thereby reducing the overall cost of international trade.

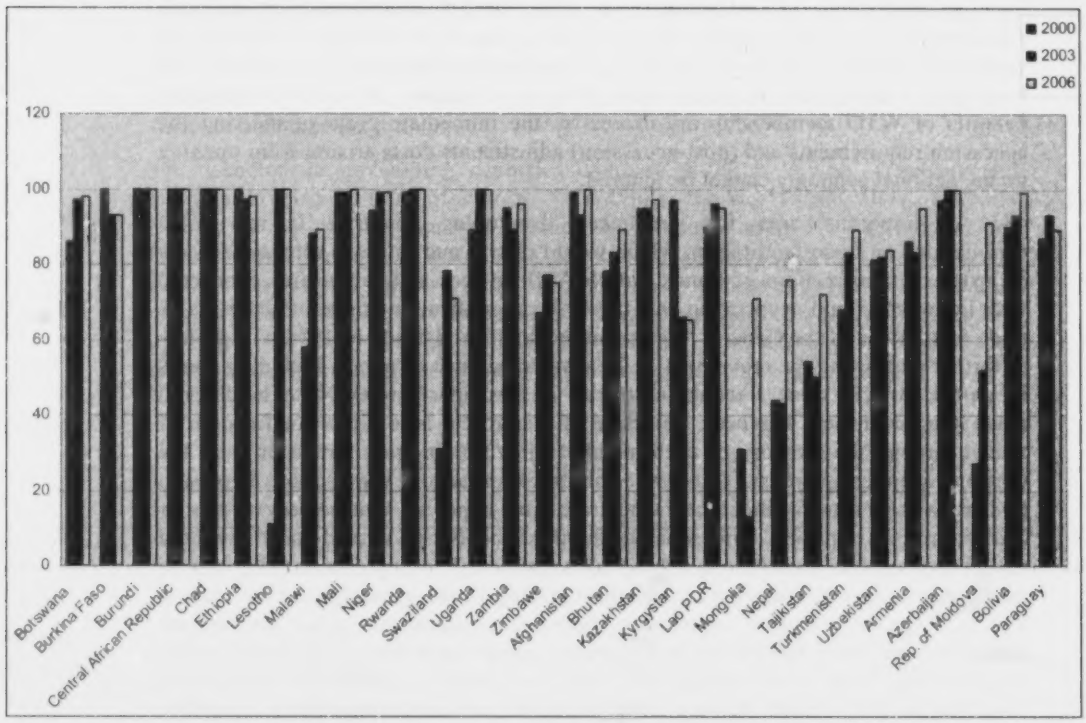
38. In terms of telecommunication infrastructure, on average in 2006, there were 3.2 main and 10.5 mobile phone lines per 100 inhabitants in landlocked developing countries. During the last decade, Africa has made huge strides in information and communication technology coverage with almost all countries developing substantial mobile phone networks from scratch. As a result, mobile teledensity has increased from 1.9 to 16.8 per 100 inhabitants and the percentage of the African population living within range of a GSM (Global System for Mobile Communications) base station has risen from 5 per cent in 1999 to 50 per cent in 2006. The growing digital divide remains a major concern for landlocked developing countries as a group with only 2.9 Internet users per 100 inhabitants in 2006.

V. Priority 3. International trade and trade facilitation

39. The goods and services that landlocked developing countries can supply competitively to international markets ultimately depend on what they can produce and how efficiently they can deliver them to the international markets. While the Group of Landlocked Developing Countries continues to be marginalized from international trade in goods, thus preventing them from reaping the benefits of globalization and using trade as an instrument for achieving their development objectives, some progress, albeit uneven, has been made since 2003.

40. As shown in the chart below, a number of landlocked developing country exporters have seen their terms of trade improve during this period. They benefited from greater market access initiatives extended by major markets such as the European Union, Japan, China and the United States. In particular, least developed or African landlocked developing countries benefited from preferential market access treatment provided by the developed markets. As of 2006 more than 91 per cent of exports of landlocked developing countries to developed markets enjoy duty-free access, a significant increase from 70 per cent in 2003. In 2006, the value of exports of landlocked developing countries increased to $68.4 billion from $32.8 billion in 2003. This was mainly driven by export increases, due mainly to the global oil and gasoline prices surge. Azerbaijan, Bolivia, Chad, Kazakhstan, Turkmenistan and Uzbekistan together accounted for about 60 per cent of total exports in landlocked developing countries.

Table 1
Exports from landlocked developing countries to developed economies (by value) admitted free of duty for all products (excluding arms)



Source: United Nations Conference on Trade and Development, International Trade Centre and World Trade Organization, the Millennium Development Goals, goal 8: Market Access Indicators by ICT, UNCTAD and WTO, indicator 38, at www.mdg-trade.org.

41. However, progress made for landlocked developing countries still remains insignificant compared to other developing countries. Over the past decade, the shares of landlocked developing countries of total exports and imports of world merchandise remain dismal, at 0.61 per cent and 0.57 per cent, respectively, in 2006. Commodities represent the greatest export earnings in landlocked developing countries. At the beginning of the 1980s, three quarters of all developing country exports were primary commodities; now, 80 per cent are manufactures. Landlocked developing countries have found themselves far from being an integral part of this transformation. They have not achieved any headway in the global market for manufactures and thus remain factor-driven economies highly dependent upon exports of a few primary commodities. At the same time, high oil prices have lately eroded those improvements, as landlocked developing countries are very vulnerable to fluctuations in transport costs, which have recently risen steeply.

42. As of June 2008, 9 of the 31 landlocked developing countries and 4 of the 34 transit developing countries were not members of the World Trade Organization (WTO), thus missing out on the benefits stemming from WTO membership, including those of special and differential treatment. WTO membership helps

landlocked countries to compete fairly in the international marketplace and allows them to counter discrimination and arbitrary behaviour with the help of enforceable, international trade rules, irrespective of the size of the country. By becoming members, they also participate in the process of interpretation, improvement and creation of the current and future trade rules through multilateral negotiations. Furthermore, by joining WTO, these countries create an essential condition for continued reforms and at the same time demonstrate tangible advancement and long-term commitment towards market-based principles. While the potential benefits of WTO membership are extensive, the immediate costs of meeting the accession requirements and (post-accession) adjustments costs arising from opening up the national economy cannot be ignored.

43. An important area for landlocked developing countries is the WTO negotiations on trade facilitation, which would clarify and improve relevant aspects of articles V on freedom of transit, article VIII on fees and formalities connected with importation and exportation and article X on publication and administration of trade regulations of the General Agreement on Tariffs and Trade of 1994 with a view to further expediting the movement, release and clearance of goods, including goods in transit. Article V on freedom of transit is particularly relevant to landlocked developing countries. The basic objective of this article is to allow for freedom of transit through the territory of each member of WTO for transport to or from the territory of other members. To achieve this freedom, article V prescribes two main obligations: (a) not to hinder traffic in transit by imposing unnecessary delays or restrictions by imposing unreasonable charges; and (b) to accord most favoured nation treatment to transiting goods of all members. The negotiations also aim to enhance technical assistance and capacity-building in the area of trade facilitation and to improve effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. In recent years, progress has been made though no legal text exists. Landlocked developing countries have also made efforts to strengthen their collective negotiating capability at the WTO trade talks. In this regard, the ministers responsible for external trade met in 2005 in Asunción and adopted the Asunción Platform for the Doha Development Round which served as a common position of the group of Landlocked Developing Countries in international trade negotiations.

44. Against these positive developments, a large number of bottlenecks related to trade facilitation persist, such as: excessive number of documents required for export/import; multiplication of scheduled and unscheduled roadblocks; lack of adjacent border controls; unnecessary customs convoy; complicated and non-standardized procedures for customs clearance and inspections; insufficient application of information and communications technology, leading to poor or total lack of computerization of customs procedures; non-transparency of trade and customs laws, regulations and procedures; lack of institutional capacities and trained human resources; underdeveloped logistics services; lack of interoperability of transport systems and absence of competition in the transit transport services sector; slow progress in establishing and/or strengthening national trade and transport facilitation boards/committees; and low level of adherence to international conventions on transit transport. Unpredictability in the supply chain of goods owing to the large economic distance from markets adversely affects the integration of landlocked developing countries in international trading networks, particularly in view of the increasing need for just-in-time deliveries by international investors.

45. Often goods are delayed because of numerous roadblocks and other checkpoints that have proliferated to the extent that there are involuntary stops at short intervals, implicating additional formal and informal payments. They represent a loss of the transport economy. Roadblocks are a major problem in Africa, in particular. There are 69 checkpoints on the 992 km route from Lagos to Abidjan, 20 checkpoints on the 337 km route from Niamey to Ouagadougou, 34 checkpoints on the 989 km route from Lomé to Ouagadougou, 34 checkpoints on the 1,036 km route from Cotonou to Niamey and 37 checkpoints on the 1,122 km route from Abidjan to Ouagadougou.

46. Landlocked developing countries continue to be in a very disadvantaged situation in terms of trade efficiency. According to the World Bank *Doing Business* report, the bottom 10 countries of the 178 countries ranked by difficulties for trading are all landlocked developing countries, together with Iraq and the Congo. As the following table shows, 9 out of the 10 lowest-ranked countries in the ranking of countries by the cost of containers for importing and exporting are landlocked countries. The landlocked developing countries also perform poorly in terms of time spent and the number of documents needed for exporting and importing.

Table 2

Who makes exporting easy, and who does not? Documents (number)				*Who makes importing easy, and who does not? Documents (number)*			
Fewest		*Most*		*Fewest*		*Most*	
Canada	3	Burkina Faso	11	Denmark	3	Tajikistan	11
Estonia	3	Congo	11	Sweden	3	Congo	12
Micronesia	3	Mauritania	11	Canada	4	Eritrea	13
Panama	3	Namibia	11	Estonia	4	Fiji	13
Denmark	4	Afghanistan	12	Hong Kong, China	4	Kyrgyzstan	13
Finland	4	Angola	12	Ireland	4	Russian Federation	13
France	4	Kazakhstan	12	Israel	4	Zimbabwe	13
Hong Kong, China	4	Malawi	12	Norway	4	Azerbaijan	14
Norway	4	Fiji	13	Panama	4	Kazakhstan	14
Singapore	4	Kyrgyzstan	13	Singapore	4	Central African Republic	18

Time (days)				*Time (days)*			
Least		*Most*		*Least*		*Most*	
Denmark	5	Eritrea	59	Singapore	3	Eritrea	69
Estonia	5	Niger	59	Denmark	5	Rwanda	69
Singapore	5	Angola	64	Estonia	5	Afghanistan	71
Hong Kong, China	6	Kyrgyzstan	64	Hong Kong, China	5	Burundi	71
Luxembourg	6	Afghanistan	67	United States	5	Kyrgyzstan	75
Netherlands	6	Chad	78	Luxembourg	6	Kazakhstan	76
United States	6	Uzbekistan	80	Netherlands	6	Tajikistan	83
Canada	7	Tajikistan	82	Sweden	6	Iraq	101

Time (days)				*Time (days)*			
Least		*Most*		*Least*		*Most*	
Germany	7	Kazakhstan	89	Germany	7	Chad	102
Ireland	7	Iraq	102	Norway	7	Uzbekistan	104

Cost (US dollars per container)				*Cost (US dollars per container)*			
Least		*Most*		*Least*		*Most*	
China	390	Uzbekistan	2 550	Singapore	367	Uganda	2 990
Singapore	416	Azerbaijan	2 715	Malaysia	385	Mongolia	3 197
Finland	420	Kazakhstan	2 730	Finland	420	Iraq	3 400
Malaysia	432	Uganda	2 940	China	430	Burkina Faso	3 522
United Arab Emirates	462	Niger	2 945	Iceland	443	Burundi	3 705
Iceland	469	Rwanda	2 975	United Arab Emirates	462	Uzbekistan	4 050
Brunei Darussalam	515	Tajikistan	3 000	Norway	468	Tajikistan	4 500
Pakistan	515	Iraq	3 400	Hong Kong, China	525	Central African Republic	4 534
Norway	518	Central African Republic	4 581	Denmark	540	Rwanda	4 970
Hong Kong, China	525	Chad	4 867	El Salvador	540	Chad	5 520

Source: World Bank *Doing Business*, 2008 database, at www.doingbusiness.org.

47. According to the World Bank report, *Doing Business*, the cost of customs procedures and transport represents the single greatest cost in external trade and is higher than the import tariffs for goods from landlocked developing countries. Red tape is estimated to cost nearly 10 per cent of the value of exports in developing countries. Each additional day in transport delays costs 0.5 per cent of cargo value for goods transported by ship or rail. Only a quarter of the total delays are attributable to poor physical infrastructure. In Africa the cost of delays is four times the tariff payments that African exporters face.

48. The World Bank also reported that in the past three years 55 countries have undertaken 68 reforms to speed up trading. Reforms aimed at reducing physical inspections, application of information technology, shortening of inland delays and simplification of border-crossing procedures have been main factors in reducing delays and improving export opportunities.

49. In 2006/07 India introduced online customs declarations for imports and exports. Arriving ships now submit their cargo manifests electronically, allowing the clearance process to begin even before the ship docks. These reforms helped cut delays for exporters and importers by seven days. Pakistan continued to expand its online declaration system and has made risk assessment a priority in its trade reform. These inspections dropped from 100 per cent of cargo before reform to less than 5 per cent today. Customs revenue is up by 20 per cent. Armenia introduced electronic transmission of trading documents, reducing the time to prepare and submit documents to customs by three days. The former Yugoslav Republic of Macedonia eliminated duplicate customs procedures at its borders. Waiting time fell

by 75 per cent. Brazil upgraded its online declaration system, reducing data requirements by 50 per cent. Border agencies can combine their teams to reduce the burden on traders. Kenya set up an electronic system for processing customs declarations. In two years clearance times dropped by half. Now nearly all large cross-border trades are submitted online.

50. Several African countries reformed. Uganda extended online declarations for traders to more border crossings across the country and is linking its new systems with Kenya's. That will speed transit trade through the port of Mombasa to Uganda. In Ghana delays at the Tema port were cut by two days with the construction of a new terminal and the creation of a system that allows into the port area only trucks ready to load or unload cargo. The changes also cut trading time for Burkina Faso. In the United Republic of Tanzania, thanks to various reform measures, delays for importers were reduced by 25 per cent from 2005 to 2006. Djibouti's customs extended its working hours to weekends and national holidays, and the container terminal, now under new ownership, was refurbished. Algeria hastened the approval of licences for customs brokers. The number of brokers increased and customs fees dropped by 40 per cent.

51. These reform measures undertaken by landlocked and transit developing countries brought early positive results. On average, landlocked developing countries, as a group, spent 49 days for export in 2007 down from 57 days in 2006. Time spent for importing went down to 56 days from 72 for the same period.

VI. Priority 4. International support measures

52. The Almaty Programme of Action recognized that the cost implications of meeting the requirements in establishing and maintaining efficient transit transport systems are of such magnitude that landlocked and transit developing countries cannot accomplish this formidable task on their own. Development partners are thus playing an important role in supporting transit transport development programmes. The returns on those investments are very low. Therefore, foreign aid rather than private capital is essential to break the deadlock.

53. ODA remains the main source of external finance for landlocked developing countries. In 2006, total ODA received by landlocked developing countries increased to US$ 16.1 billion from US$ 10.1 billion in 2002. In 2006, about 8 per cent of total ODA was allocated to transport, storage and communications infrastructure development. Total ODA received by transit developing countries reached $34 billion in 2006 up from US$ 20 billion in 2002. Transit countries also allocated about 8 per cent of their total ODA to transport, storage and communications infrastructure development in 2006.

54. ODA to infrastructure in sub-Saharan Africa has increased by 20 per cent since the Group of Eight summit in Gleneagles, United Kingdom, in 2005. ODA allocated to infrastructure increased from $4.4 billion in 2005 to $5.3 billion in 2006 and was projected to exceed $6 billion by 2007. It is largely driven by scaling-up from the multilateral donors (notably the African Development Fund, the European Development Fund and the World Bank), which together currently account for 78 per cent of ODA to the infrastructure sectors in sub-Saharan Africa. The International Development Association alone now accounts for 33 per cent of total ODA to the sector. Among bilateral donors, Japan and the United States of America

showed the biggest increase in direct expenditure on infrastructure projects. But the expected scale-up of around $2 billion by 2007 would still fall short of the financing gap of $11 billion that was identified in the report of the Commission for Africa in 2005. A further $17 billion are needed from country budgets to ensure that the operation and maintenance of infrastructure are sustainably managed. The commitments made by China at the Beijing summit of the Forum on China-Africa Cooperation in 2006 would add an additional $1.7 billion over the next three years.

55. Following the request of NEPAD, the increased funding for regional infrastructure has been particularly strong. The percentage of ODA going to regional infrastructure projects grew from barely 1 per cent in 2000 to over 5 per cent in 2005 (more than $400 million) and over 10 per cent in 2006 (more than $900 million). Multilaterals account for 95 per cent of funding for regional projects, of which IDA alone accounts for 44 per cent.

56. The most striking feature of the progress towards the implementation of the Almaty Programme of Action since 2003 has been across the board recognition of the special needs of landlocked developing countries, and much stronger engagement by development partners with respect to transport infrastructure development and trade facilitation as well as aid, debt relief and market access. Multilateral and development institutions and regional organizations allocated much greater attention and resources to the establishment of efficient transit systems.

57. Since the adoption of the Almaty Programme of Action, the World Bank has consistently broadened its transport agenda, including transit infrastructure and trade facilitation. In its new Transport Business Strategy for 2008-2012 particular attention was given to the special needs of landlocked developing countries in terms of lending projects at the regional and national levels, technical assistance and analytical research. Since 2003, World Bank lending relevant to the Almaty Programme of Action reached over $800 million for over 30 projects.

58. The Sub-Saharan Africa Transport Policy Programme, which is a joint programme of the World Bank and the Economic Commission for Africa, focuses its assistance on road maintenance, rural transport, urban mobility, trade and transport and railway restructuring. The Programme continues its effort to tackle issues in support of Africa's landlocked countries, including completion of missing links in trans-African highway networks, development of transit corridors and reduction of non-physical barriers.

59. The landlocked developing countries stand to gain a lot from an effective, focused and coordinated execution of the Aid for Trade initiative. With increased donor attention to trade, infrastructure and the broader economic growth agenda, the volume of aid dedicated to improving the capacity of developing countries to become more dynamic players in the global economy could rise significantly. If the recent annual growth rate of Aid for Trade (6.8 per cent) continues, this would deliver an additional $8 billion by 2010, with total Aid for Trade commitments reaching $30 billion. Trade facilitation, transport efficiency, logistics improvement and trade-related infrastructure are priority areas for Aid for Trade financing. In the period 2002-2005, five landlocked developing countries, namely Ethiopia, Uganda, Bolivia, Burkina Faso and Zambia, ranked among the 25 highest recipients of Aid for Trade.

60. The United Nations Development Programme's strategy to support the Aid for Trade initiative places emphasis on implementation by supporting developing countries to achieve better coherence between trade and development policies and better Government and donor planning and coordination. Aid for Trade needs assessments are already under way in Mongolia, Kazakhstan, Kyrgyzstan and Uzbekistan and are planned for Tajikistan, Turkmenistan and Azerbaijan as well as Southern African Customs Union countries in Southern Africa and Paraguay. The objective of the needs assessments is to identify a set of policy recommendations and technical assistance projects aimed at overcoming productive capacity and other supply-side constraints and building trade capacity while, inter alia, improving human development and poverty reduction outcomes.

61. The Asian Development Bank reported that significant progress was made in the trade facilitation sector of the Central Asia Regional Economic Cooperation Programme, including (a) the harmonization and modernization of customs procedures; (b) bilateral transit and cooperation agreements signed in 2005 between Kyrgyzstan and Tajikistan, Azerbaijan and China; (c) pilot testing by Kazakhstan and Kyrgyzstan for joint customs control at the Kordai-Akzol border crossing; (d) the launching of the Programme's trade facilitation programme website; and (e) advisory services on trade finance to banks in the region with guarantees for trade finance to facilitate foreign trade.

62. The World Customs Organization develops and maintains instruments and recommendations to simplify and standardize customs procedures. In particular, the revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures lays down the blueprint for customs reform and modernization. Since it entered into force in February 2006 the number of contracting parties has grown to 53, including seven landlocked developing countries.

63. The Economic Commission for Europe (ECE) continued to promote regional cooperation for the coordinated development of international road, rail, inland waterway and combined transport networks through legally binding infrastructure network agreements in the framework of its Trans-European Motorway (TEM) and Trans-European Railway (TER) projects. The TEM and TER Master Plans identified the backbone road and rail networks in 21 Central, Eastern and South-Eastern European countries with 491 projects estimated to cost €102 billion having been evaluated and prioritized.

64. From 2003 to 2006, the five United Nations regional commissions made efforts to implement a United Nations development account project on capacity-building for the development of interregional transport linkages. The ECE and ESCAP project focuses primarily on Euro-Asian transport links, including transport links through Central Asian, Caucasus and Eastern European landlocked developing countries.

65. Landlocked and transit developing countries continued to benefit from the UNCTAD Automated System for Customs Data (ASYCUDA) programme, which is designed to speed up customs procedures through the use of information technology. The new Web-based ASYCUDA system, "ASYCUDAWorld", is being introduced in many landlocked and transit developing countries.

66. The Transport Corridor Europe-Caucasus-Asia (TRACECA) programme, which was initiated by the European Union, serves as a catalyst for transport

infrastructure and economic development in the participating countries, namely Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Turkmenistan, Ukraine and Uzbekistan. It continued to promote regional cooperation to attract and facilitate investments from international financial institutions and private investors. A basic infrastructure network has been developed for the TRACECA region, including roads, irrespective of their cross-sectional standards or traffic levels, which serve international and major national inter-urban traffic movements. The TRACECA programme provides institutional capacity-building and technical support in implementing priority infrastructure projects.

67. The Inter-American Development Bank increased its allocation to public administration improvement and improving road infrastructure in Bolivia and Paraguay, as well as for greater regional integration, including rehabilitating and maintaining roads for integrated corridors.

VII. Preparatory process for the midterm review and monitoring of the implementation of the Almaty Programme of Action

68. The Office of the High Representative was requested by the General Assembly in its resolution 61/212 to provide the overall coordination and mobilization for the midterm review of the Almaty Programme of Action. Thus, the Office, in close consultation with the relevant United Nations agencies and international organizations, developed an organizational framework for the midterm review of which the Assembly took note in its resolution 62/204. The objective of the framework is to organize the midterm review in such a way that it attains practical and operational outcomes that can be effectively followed up at the global, regional, subregional and national levels to further accelerate the implementation of the Almaty Programme of Action. Thematic and regional assessments are selected as the main building blocks for the preparatory process leading to the high-level midterm review process.

69. High transit transport costs and unduly long delays are both a symptom and a result of negative factors which fall under two major categories, namely physical infrastructure bottlenecks and non-physical barriers. In order to assess the progress made in these areas, two substantive/thematic meetings were convened as part of the preparatory process for the midterm review of the Almaty Programme of Action. The first thematic meeting, on transit transport infrastructure development, was held in Ouagadougou from 18 to 20 June 2007. More than 130 participants at the ministerial and senior official levels from donor countries, landlocked developing countries and transit developing countries and the relevant United Nations organizations, international financial and development institutions and regional and subregional organizations participated in the meeting, which adopted an outcome document (see A/62/256 and Corr.1) which assessed the status of infrastructure development in all landlocked regions and provided action-oriented recommendations.

70. The second thematic meeting, on trade and trade facilitation, was held on 30 and 31 August 2007 in Ulaanbaatar. The meeting was preceded by a two-day consultation of landlocked developing countries on issues relevant to their effective and coordinated participation in the WTO trade negotiations, particularly on trade

facilitation. More than 150 participants from 27 landlocked developing countries and 30 transit and donor countries together with many United Nations agencies and international and subregional organizations participated in the thematic meeting on trade and trade facilitation. The meeting reviewed and assessed the progress made and made policy recommendations on measures that need to be undertaken in the area of trade and trade facilitation. The Ulaanbaatar outcome document (A/C.2/62/9, annex) underscores the urgency for landlocked and transit developing countries to implement trade facilitation measures and calls for strong political commitment.

71. The Euro-Asian regional review meeting was organized jointly by the Office of the High Representative, ECE and ESCAP at ESCAP headquarters in Bangkok on 22 and 23 April 2008. About 50 senior officials from Asian and European landlocked and transit countries and representatives from donor countries and the relevant United Nations organizations and relevant international, regional and subregional organizations participated in the regional review meeting. The outcome document of the meeting (E/ESCAP/64/INF/6) identifies progress and obstacles in the implementation of the Almaty Programme of Action and agreed on action-oriented recommendations and deliverables aimed at strengthening harmonization of legal regimes, adoption of an integrated approach to trade and transport facilitation, elimination of physical and non-physical bottlenecks to transport, promotion of integrated training programmes, establishing national transit and trade facilitation committees, completing missing links, promoting multimodal transport and developing integrated transport corridors and logistics services as well as the mobilization of domestic and external resources.

72. The African regional review meeting was convened from 18 to 20 June 2008 at ECA headquarters in Addis Ababa. The review meeting was preceded by a one-day seminar on multilateral conventions in the area of transit trade that are included in the 2008 United Nations treaty event. The African regional review meeting was attended by more than 80 participants from almost all the landlocked and transit developing countries of Africa, as well as donor countries and international, regional and subregional organizations. The meeting adopted a final outcome document (E/ECA/ALMATY/08), which contains specific action-oriented measures with the objective, inter alia, to ensure uniform and effective implementation of regional and subregional instruments, reduce port and border delays which contribute significantly to transit costs, enhance the participation of relevant national and regional private sector associations in facilitation efforts, strengthen the capacity of Governments to design and implement public-private partnership agreements in general and, in particular, create appropriate oversight mechanisms to monitor the implementation of railway and other concessions, and improve the layout of infrastructure at borders and introduce shared facilities. The Office of the High Representative, ECA, the World Bank, the African Development Bank and the African Union were requested to support the efforts to elaborate and conclude an intergovernmental agreement on the Trans-African Highway.

73. The Latin American regional review meeting was organized by the Economic Commission for Latin America and the Caribbean and the Office of the High Representative in Buenos Aires on 30 June 2008. The meeting was attended by 31 officials from the Latin American landlocked and transit developing countries and representatives of the relevant United Nations organizations and other international financial and development institutions.

74. As part of the preparations for the midterm review, a number of preparatory meetings were convened to further raise international awareness of the process. These include: (a) the Office of the High Representative/World Bank joint workshop on Logistics Performance Indicators: Monitoring the Implementation of the Almaty Programme of Action, which examined the economics of being landlocked, the benefits for transit countries from the provision of transit services to landlocked neighbours, public monitoring systems for trade corridor performance, transit regimes and global standards; (b) the WTO/Office of the High Representative special event on trade facilitation and Aid for Trade for landlocked developing countries that assessed the status of the trade facilitation negotiations at the WTO and the latest developments in the Aid for Trade Initiative; and (c) the High-Level Investment Forum "Investing in landlocked developing countries: trends, experiences and the way forward". UNCTAD also hosted a seminar on technical assistance programmes in the area of trade facilitation in Geneva. The outcomes of these events are meant to contribute recommendations for action to be considered in the next five years of implementation of the Almaty Programme of Action.

75. The organizations of the United Nations system continued their efforts to develop an internationally acceptable set of indicators to measure progress in the implementation of the Almaty Programme of Action. The Office of the High Representative compiled statistics on key macroeconomic variables, foreign direct investment, official development assistance, debt sustainability, participation of landlocked countries in international trade, as well as selected indicators for transport infrastructure and trade facilitation. The ESCAP secretariat developed the cost-time distance methodology in order to quantitatively illustrate the time and costs spent in each segment of a transit route, including border crossing points, as well as pinpointing the bottlenecks that need to be addressed.

76. Recently, the World Bank launched a comprehensive approach to supply chain performance, namely the Logistics Performance Index. Using a five-point scale, the Index provides in-depth cross-country assessments in seven areas that capture the current logistics environment: (a) efficiency of the clearance process by customs and other border agencies; (b) quality of transport and information technology infrastructure for logistics; (c) ease and affordability of arranging international shipments; (d) competence of the local logistics industry; (e) ability to track and trace international shipments; (f) domestic logistics costs; (g) timeliness of shipments in reaching destination. It aggregates more than 5,000 country evaluations by professionals trading with the country of various dimensions of performance. The World Bank's annual report, *Doing Business*, also contains very useful data on trade facilitation showing delays, multiple documentation, requirements for multiple signatures, licences and reform measures to address these issues.

VIII. Conclusions and recommendations

77. **The high cost of international trade continues to represent a serious constraint to the trade and economic development of landlocked developing countries. Measures to deal with the transit problems must address inadequate infrastructure, trade imbalance, inefficient transport organization, and weak managerial, procedural, regulatory and institutional systems. There is a little doubt that without real solutions to the disadvantages that beset the landlocked**

developing countries, these States will continue to be driven to the outer fringes of the global economy.

78. **The implementation of the Almaty Programme of Action, which remains a sound global framework for global partnerships aimed at addressing the special needs of landlocked developing countries by establishing viable and predictable transit systems, should be further accelerated. It offers a win-win solution for both the landlocked developing countries and their transit neighbours.**

79. **Tangible progress has been registered in the implementation of the Almaty Programme of Action since its adoption. The international community came to recognize that high transit transport costs represent a more important barrier than most favoured nation tariffs for landlocked developing countries. Both landlocked and transit developing countries, with the support of their development partners, produced notable achievements in all the priorities of the Almaty Programme of Action. The development partners clearly recognized the special needs of landlocked developing countries and more actively engaged with respect to transport infrastructure development, trade facilitation, aid, debt relief and market access. Multilateral and development institutions and regional organizations allocated much greater attention and resources to the establishment of efficient transit systems. Regional cooperative arrangements for transit cooperation require further strengthening.**

80. **Because landlocked developing countries depend on their transit neighbours for access to and from the sea, efficient transit systems require closer and effective cooperation and collaboration between these countries and their transit neighbours. The role of regional and subregional organizations should be further strengthened in the implementation of the Almaty Programme of Action. Relevant United Nations organizations and other international organizations should provide greater support to regional initiatives in this regard, including efforts to develop regional integrated infrastructure networks, viable multimodal transport, ways to complete missing links, trade facilitation measures and broader application of information technology.**

81. **Transit transport policy reforms and a broad range of trade facilitation measures that have a positive impact on transit costs should be facilitated at all levels. These measures should include the commercialization and liberalization of transport services and efforts to improve institutional, procedural, regulatory and managerial systems and reduce excessive paperwork and red tape requirements. Landlocked and transit developing countries should continue their efforts to accede to relevant multilateral conventions in the area of transit transport.**

82. **The international community should provide greater market access for goods originating in landlocked developing countries to mitigate high trade transaction costs stemming from their geographical disadvantages. Increased and immediate technical assistance should be extended to landlocked developing countries to ensure their effective participation in the WTO trade negotiations, particularly those related to trade facilitation.**

83. ODA remains the major source of investment in infrastructure development in landlocked developing countries. Donor countries and financial and development institutions, in particular the World Bank, the Asian Development Bank, the African Development Bank and the Inter-American Development Bank, are invited to provide greater financial resources to transit transport infrastructure projects in landlocked and transit developing countries. Special attention should be given to landlocked developing countries in the context of the Aid for Trade initiative.

Annex

Selected development and transport indicators for landlocked developing countries

Table 1
Gross domestic product and gross domestic product growth, 2000-2006

	Estimates of GDP at constant 1990 prices (millions of US dollars)			*GDP per capita current (US dollars)*	*GDP average annual growth*		
Landlocked developing countries	*2000*	*2003*	*2006*	*2006*	*2000-2003*	*2003-2005*	*2006*
Afghanistan	2 539	3 666	5 105	319	13.03	11.96	11.10
Armenia	1 463	2 069	3 563	2 128	12.25	21.35	16.93
Azerbaijan	3 835	5 179	9 701	2 362	10.53	18.02	34.47
Bhutan	466	591	729	1 422	8.24	6.63	8.48
Bolivia	7 047	7 544	8 510	1 101	2.30	4.10	4.10
Botswana	5 774	6 834	8 227	4 755	5.78	7.51	4.15
Burkina Faso	4 932	5 905	7 057	416	6.19	6.24	5.88
Burundi	970	1 023	1 143	114	1.79	2.61	6.13
Central African Republic	1 453	1 338	1 430	333	-2.71	1.74	3.25
Chad	2 172	3 004	4 485	634	11.42	20.47	2.87
Ethiopia	14 446	15 199	20 985	164	1.71	11.71	10.64
Kazakhstan	20 594	28 058	37 305	5 043	10.86	9.64	10.60
Kyrgyzstan	1 006	1 134	1 244	536	4.07	3.38	2.64
Lao People's Democratic Republic	1 593	1 887	2 323	599	5.81	7.11	7.30
Lesotho	867	939	1 022	725	2.69	3.51	1.59
Malawi	3 071	3 183	3 756	164	1.20	4.28	8.52
Mali	3 742	4 699	5 335	498	7.89	4.18	4.61
Moldova	1 380	1 684	2 021	876	6.86	7.44	3.96
Mongolia	1 251	1 398	1 658	1 076	3.77	8.87	0.06
Nepal	5 738	6 225	6 759	290	2.75	3.24	1.87
Niger	3 126	3 671	4 047	247	5.50	3.19	3.53
Paraguay	5 853	6 200	6 906	1 514	1.94	3.50	3.99
Rwanda	2 646	3 107	3 523	242	5.50	4.92	3.01
Swaziland	1 185	1 268	1 337	2 399	2.28	2.07	1.21
Tajikistan	1 091	1 472	1 854	424	10.50	8.50	6.98
The former Yugoslav Republic of Macedonia	4 215	4 173	4 702	3 096	-0.33	4.09	4.00
Turkmenistan	2 413	2 606	3 251	1 327	2.60	6.99	8.98
Uganda	7 152	8 479	10 124	346	5.84	6.02	6.22
Uzbekistan	14 469	16 426	20 660	598	4.32	7.42	8.99

Landlocked developing countries	*Estimates of GDP at constant 1990 prices (millions of US dollars)*			*GDP per capita current (US dollars)*	*GDP average annual growth*		
	2000	*2003*	*2006*	*2006*	*2000-2003*	*2003-2005*	*2006*
Zambia	4 002	4 523	5 354	938	4.16	5.67	6.02
Zimbabwe	9 267	7 743	6 895	133	-5.81	-3.28	-4.80
Landlocked developing countries	**139 758**	**161 227**	**201 011**	**688**	**4.88**	**7.49**	**7.91**
Developing countries[a]	**6 056 110**	**6 859 864**	**8 377 110**	**2 310**	**4.24**	**4.50**	**7.00**

[a] Does not include countries of the Commonwealth of Independent States.

Source: United Nations Statistics Division, *National Accounts Main Aggregates Database*, http://unstats.un.org/unsd/snaama/introduction.asp (accessed 10 February 2008). Rates of growth calculations by the Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.

Table 2
Official development assistance receipts and total donor assistance for transport, storage and communication

Landlocked developing countries	*Net ODA receipts (millions of US dollars)*			*ODA/GNI (%)*	*Donor assistance for transport, storage and communication (millions of US dollars)*		
	2000	*2004*	*2006*	*2006*	*2000*	*2003*	*2006*
Afghanistan	1 300	2 171	3 000	35.69	0.21	236.01	267.63
Armenia	293	254	213	3.28	40.01	1.06	67.17
Azerbaijan	349	176	206	1.18	0.06	0.11	3.31
Bhutan	73	78	94	10.17	9.71	16.13	4.16
Bolivia	680	770	581	5.38	31.13	51.06	4.99
Botswana	37	47	65	0.67	0.31	0.53	0.33
Burkina Faso	471	624	871	13.98	1.57	252.81	5.76
Burundi	172	362	415	52.83	0.04	0.05	31.26
Central African Republic	60	110	134	9.02	27.97	68.77	74.68
Chad	228	329	284	5.47	111.06	0.23	0.01
Ethiopia	1 297	1 806	1 947	14.66	35.94	185.37	374.72
Kazakhstan	188	268	172	0.25	154.10	0.19	0.51
Kyrgyzstan	186	261	311	11.77	22.19	1.09	6.60
Lao People's Democratic Republic	278	270	364	12.14	58.46	42.78	24.13
Lesotho	76	96	72	4.02	0.91	17.49	16.61
Malawi	376	501	669	30.47	5.20	22.27	34.06
Mali	466	568	825	13.44	25.22	2.66	0.98
Moldova	142	120	228	6.03	0.02	0.08	0.06
Mongolia	208	255	203	7.79	34.28	12.61	28.16
Nepal	361	428	514	6.25	30.47	6.41	67.37
Niger	297	541	401	11.00	33.25	10.77	32.79
Paraguay	57	22	56	0.61	..	0.39	2.14
Rwanda	354	486	585	23.63	1.20	22.50	47.33
Swaziland	22	22	35	1.30	0.83	0.08	0.06
Tajikistan	168	243	240	8.82	0.01	0.12	36.67
The former Yugoslav Republic of Macedonia	275	250	200	3.21	13.69	0.09	2.30
Turkmenistan	41	37	26	0.26	..	1.18	..
Uganda	710	1 194	1 551	16.92	57.17	4.30	45.85
Uzbekistan	189	246	149	0.87	0.00	12.57	0.13
Zambia	639	1 125	1 425	14.30	44.97	5.02	59.96
Zimbabwe	199	186	280	..	0.28	0.82	0.83
Landlocked developing countries	**10 192**	**13 846**	**16 116**		**740.24**	**975.56**	**1 240.56**
Transit developing countries	**19 933**	**21 881**	**34 062**		**3 483.51**	**2 648.39**	**2 846.50**

Abbreviations: ODA, official development assistance; GNI, gross national income.

Source: Richard Manning, Organization for Economic Cooperation and Development Development Assistance Committee, *Development Cooperation Report 2007* (Paris, 2008), table 25, and *CRS Online Database on Aid Activities*, http://www.oecd/dac (accessed 1 April 2008).

Table 3
Debt sustainability, and debt relief under the Heavily Indebted Poor Countries Initiative

Landlocked developing countries	*External ratio of debt to exports of merchandise*		*External debt (% of GNI)*		*Debt relief by HIPC, February 2008 (millions of US dollars NPV)*
	2003	*2006*	*2003*	*2006*	
Afghanistan	..	4.12	..	21.1	546
Armenia	2.58	2.06	61.0	32.0	
Azerbaijan	0.67	0.30	25.3	11.1	
Bhutan	3.66	2.04	78.8	75.9	
Bolivia	3.63	1.37	74.5	49.0	175
Botswana	0.18	0.09	6.8	4.1	
Burkina Faso	5.41	2.60	40.6	18.5	725
Burundi	35.25	24.04	230.1	162.2	864
Central African Republic	8.11	8.50	87.0	68.4	583
Chad	2.65	0.47	70.2	34.2	214
Ethiopia	14.65	2.29	91.3	17.5	2 446
Kazakhstan	1.76	1.83	78.3	103.4	
Kyrgyzstan	3.48	2.99	109.0	85.6	
Lao People's Democratic Republic	6.11	3.41	108.5	98.6	
Lesotho	1.46	0.97	54.9	35.8	
Malawi	5.90	1.57	130.0	27.2	1 278
Mali	3.36	1.06	74.1	26.0	707
Moldova	2.46	2.30	87.7	64.3	
Mongolia	2.39	0.94	102.5	47.4	
Nepal	4.78	4.49	50.0	37.8	
Niger	5.88	1.49	76.2	22.1	853
Paraguay	2.60	1.80	58.2	36.9	
Rwanda	24.42	3.04	93.0	16.9	872
Swaziland	0.24	0.26	20.6	20.4	
Tajikistan	1.45	0.82	78.7	42.5	
The former Yugoslav Republic of Macedonia	1.36	1.11	40.6	42.8	
Turkmenistan	0.48	0.17	29.5	8.9	
Uganda	8.07	1.26	74.1	13.6	1 349
Uzbekistan	1.54	0.69	49.1	22.7	
Zambia	6.93	0.63	162.5	23.9	3 279
Zimbabwe	2.68	2.40	62.2	..	
Landlocked developing countries	**2.25**	**1.37**	**64.9**	**51.1**	**13 891**
Transit developing countries	**1.33**	**0.70**	**30.8**	**20.2**	**14 160**
Low- and middle-income countries	**1.37**	**0.82**	**37.3**	**26.4**	**45 512**

Abbreviations: HIPC, Heavily Indebted Poor Countries Initiative; GNI, gross national income; NPV, net present value end 2006, as calculated by the World Bank.

Sources: World Bank, *World Development Indicators 2008* (Washington, D.C., 2008), tables 1.4, 4.4, 6.8 and 6.9, and *WDI and GDF Online*, http://www.worldbank.org (accessed 23 April 2008). Income grouping of countries from ibid.

Table 4
International merchandise trade, exports and imports

Landlocked developing countries	*Export of merchandise (millions of US dollars)*		*Percentage of world*		*Imports of merchandise (millions of US dollars)*		*Percentage of world*	
	2003	*2006*	*2003*	*2006*	*2003*	*2006*	*2003*	*2006*
Afghanistan	—	—	—	—	—	—	—	—
Armenia	670	1 004	0.01	0.01	1 235	2 194	0.02	0.02
Azerbaijan	2 592	6 372	0.04	0.06	2 626	5 267	0.04	0.05
Bhutan	..	..	..	..	..	..	..	..
Bolivia	1 651	4 223	0.02	0.04	1 684	2 825	0.02	0.02
Botswana	3 802	4 506	0.05	0.04	3 964	3 053	0.06	0.03
Burkina Faso	319	..	0.00	..	945	..	0.01	..
Burundi	66	..	0.00	..	145	..	0.00	..
Central African Republic	66	..	0.00	..	100	..	0.00	..
Chad	..	..	..	..	..	..	..	..
Ethiopia	513	1 043	0.01	0.01	2 686	5 207	0.04	0.05
Kazakhstan	12 927	38 244	0.18	0.34	8 408	23 663	0.12	0.21
Kyrgyzstan	582	794	0.01	0.01	717	1 718	0.01	0.02
Lao People's Democratic Republic	..	..	..	..	..	..	..	..
Lesotho	..	..	..	..	..	..	..	..
Malawi	502	668	0.01	0.01	785	1 209	0.01	0.01
Mali	1 007	..	0.01	..	1 271	..	0.02	..
Moldova	790	1 052	0.01	0.01	1 399	2 693	0.02	0.02
Mongolia	616	1 542	0.01	0.01	801	1 486	0.01	0.01
Nepal	653	..	0.01	..	1 802	..	0.03	..
Niger	228	..	0.00	..	560	..	0.01	..
Paraguay	1 242	1 906	0.02	0.02	2 228	5 879	0.03	0.05
Rwanda	50	..	0.00	..	261	..	0.00	..
Swaziland	1 732	..	0.02	..	1 432	..	0.02	..
Tajikistan	..	..	..	..	..	..	..	..
The former Yugoslav Republic of Macedonia	1 367	2 401	0.02	0.02	2 306	3 763	0.03	0.03
Turkmenistan	..	..	..	..	..	..	..	..
Uganda	532	962	0.01	0.01	1 375	2 557	0.02	0.02
Uzbekistan	..	..	..	..	..	..	..	..
Zambia	980	3 770	0.01	0.03	1 574	3 074	0.02	0.03
Zimbabwe	..	..	..	..	..	..	..	..
Landlocked developing countries	**32 886**	**68 489**	**0.47**	**0.61**	**38 305**	**64 589**	**0.53**	**0.57**
Transit developing countries	**935 778**	**1 794 712**	**13.36**	**16.08**	**886 136**	**1 620 790**	**12.36**	**14.29**
Developing countries[a]	**2 364 614**	**4 487 700**	**33.75**	**40.21**	**1 778 316**	**3 834 462**	**24.81**	**33.81**
World	**7 006 464**	**11 161 783**	**..**	**..**	**7 167 501**	**11 341 309**	**..**	**..**

[a] Includes countries of the Commonwealth of Independent States.

Source: United Nations Statistics Division, *UN comtrade*, http://comtrade.un.org (accessed 10 April 2008).

Table 5
International merchandise trade, exports and imports

	Roads		*Railways*	*Waterways*	*Pipelines*	*Air transport*	
	Kms	*Paved (percentage)*	*Kms*	*Kms*	*Kms*	*Departures*	
Landlocked developing countries	*2000-2006*	*2000-2006*	*2000-2006*	*2006-2007*	*2007*	*2000*	*2006*
Afghanistan	34 782	23.7	—	1 200 (<500 DWT)	466	—	—
Armenia	7 515	90.0	711	..	2 036	4 406	6 177
Azerbaijan	59 141	49.4	2 122	..	6 293	8 012	12 777
Bhutan	..	..	..	..	..	..	..
Bolivia	62 479	7.0	..	10 000	9 218	21 566	21 978
Botswana	24 455	33.2	888	..	..	6 703	6 905
Burkina Faso	92 495	4.2	622	..	..	..	..
Burundi	12 323	10.4	..	Lake Tanganyika	..	..	..
Central African Republic	24 307	..	..	2 800	..	..	..
Chad	33 400	0.8	..	wet season	250	..	..
Ethiopia	37 018	13.4	..	..	..	..	..
Kazakhstan	90 800	83.0	14 205	4 000	23 211	8 041	19 160
Kyrgyzstan	18 500	91.1	424	600	..	6 051	4 730
Lao People's Democratic Republic	31 210	14.4	..	4 600	540	..	..
Lesotho	5 940	18.3	..	..	..	..	..
Malawi	15 451	45.0	710	700	..	..	..
Mali	18 709	18.0	734	1 800	..	..	..
Moldova	12 737	86.3	1 075	424	1 980	3 682	4 248
Mongolia	49 250	3.5	1 810	580	..	..	..
Nepal	17 280	56.9	59	..	..	..	..
Niger	18 423	20.6	..	300 (wet season)	..	..	..
Paraguay	29 500	50.8	441	3 100	..	7 556	9 807
Rwanda	14 008	19.0	..	Lac Kivu (shallow)	..	..	..
Swaziland	3 594	30.0	301	..	..	2 586	..
Tajikistan	27 767	..	616	200	587	3 953	2 976
The former Yugoslav Republic of Macedonia	13 182	..	699	..	388	8 047	2 368
Turkmenistan	24 000	81.2	2 529	1 300	7 802	21 858	15 602
Uganda	70 746	23.0	261	200	..	..	..
Uzbekistan	81 600	87.3	4 014	1 100	10 593	30 075	21 514
Zambia	91 440	22.0	1 273	2 250	771	..	..
Zimbabwe	92 267	19.0	..	Lake Kariba	270	13 603	6 819
Landlocked developing countries	**1 108 369**	**32.9**	**33 494**	**..**	**64 405**	**146 139**	**135 061**

Sources: World Bank, *World Development Indicators 2008* (Washington, D.C., 2008), table 5.9, and *WDI and GDF Online*, http://www.worldbank.org (accessed 1 March 2008) and United States Central Intelligence Agency, *The World Factbook, Field Listing — Pipelines*, http://www.cia.gov/library/publications/the-world-factbook/fields/2117.html (accessed 1 February 2008).

Table 6
Selected telecommunications indicators

	Telephone lines and cellular subscribers per 100 population				*Internet users per 100 population*	*Total annual investment in telecom. (millions of US dollars)*	*Telecom. equipment imports (millions of US dollars)*
	Main lines		*Cellular*	*Total*			
Landlocked developing countries	*2000*	*2006*	*2006*	*2006*	*2006*	*2006[a]*	*2006[a]*
Afghanistan	0.1	0.3	8.1	8.4	1.7	165.1	—
Armenia	17.3	19.7	10.5	30.3	5.8	34.3	62.8
Azerbaijan	9.8	14.0	39.2	53.3	9.8	32.6	173.4
Bhutan	2.2	3.8	9.8	13.5	3.6	16.9	—
Bolivia	6.1	7.1	30.8	37.9	6.2	17.7	36.4
Botswana	8.3	7.8	46.8	54.6	4.6	404.0	53.2
Burkina Faso	0.5	0.7	7.5	8.2	0.6	202.6	21.1
Burundi	0.3	0.4	2.0	2.4	0.8	..	10.1
Central African Republic	0.3	0.3	2.5	2.8	0.3	0.1	3.1
Chad	0.1	0.1	4.7	4.8	0.6	..	..
Ethiopia	0.4	0.9	1.1	2.0	0.2	60.2	89.5
Kazakhstan	12.2	19.8	52.9	72.6	8.4	87.5	468.2
Kyrgyzstan	7.7	8.6	23.7	32.3	12.2	3.5	85.1
Lao People's Democratic Republic	0.8	1.5	16.7	18.2	1.2	30.0	..
Lesotho	1.2	3.0	20.0	23.0	2.9	1.8	12.5
Malawi	0.5	0.8	1.8	2.6	0.5	..	29.0
Mali	0.4	0.6	10.9	11.5	0.6	93.9	37.3
Moldova	13.7	24.3	32.4	56.7	17.4	90.2	48.9
Mongolia	5.0	5.9	28.9	34.9	11.6	24.9	35.2
Nepal	1.2	2.2	4.2	6.4	1.1	25.2	44.3
Niger	0.2	0.2	3.4	3.5	0.3	..	17.1
Paraguay	5.2	5.3	51.3	56.6	4.1	81.5	204.6
Rwanda	0.2	0.2	3.4	3.6	0.6	..	9.5
Swaziland	3.2	4.3	24.3	28.6	4.1	27.6	15.7
Tajikistan	3.6	4.3	4.1	8.4	0.3	6.5	2.8
The former Yugoslav Republic of Macedonia	25.3	24.1	69.6	93.7	13.2	45.1	52.6
Turkmenistan	8.2	8.2	4.4	12.7	1.3	7.3	45.6
Uganda	0.3	0.4	6.7	7.1	5.0	67.3	121.0
Uzbekistan	6.7	6.7	9.3	16.0	6.3	118.5	..
Zambia	0.8	0.8	14.0	14.8	4.2	42.5	76.4
Zimbabwe	2.2	2.6	6.5	9.1	9.3	..	..
Landlocked developing countries	**2.7**	**3.2**	**10.5**	**13.7**	**2.9**	**1 686.8**	**1 755.5**
Low- and middle-income countries[b]	**..**	**13.0**	**31.0**	**44.0**	**8.0**		

[a] /Or latest year available.

[b] World Bank grouping, *World Development Indicators 2008* (Washington, D.C.), table 5.10.

Source: International Telecommunications Union, *Country data by region (online) and World Telecommunications/ICT Indicators*, http://www.itu.int/ITU-D/icteye/Indicators/Indicators.aspx, accessed 21 April 2008, and United Nations Statistics Division, *UN comtrade*, http://comtrade.un.org (accessed 14 April 2008).

Table 7
Foreign direct investment, net inflows
(Millions of United States dollars)

Landlocked developing countries	*2000*	*2003*	*2004*	*2005*	*2006*
Afghanistan	0.17	2.01	0.62	3.61	2.08
Armenia	104.20	120.90	218.80	258.20	343.48
Azerbaijan	30.00	3 227.00	3 535.00	1 679.00	-601.00
Bhutan	0.00	2.53	3.46	9.00	6.10
Bolivia	736.40	197.40	65.40	-238.60	240.10
Botswana	57.32	418.77	391.55	281.32	274.13
Burkina Faso	23.11	29.12	14.35	34.15	25.87
Burundi	11.68	-0.01	0.04	0.58	290.00
Central African Republic	0.84	19.44	24.80	28.63	24.29
Chad	114.75	712.66	495.38	612.93	700.00
Ethiopia	134.64	465.00	545.10	221.10	364.40
Kazakhstan	1 282.52	2 092.03	4 157.21	1 977.34	6 143.09
Kyrgyzstan	-2.40	45.54	175.40	42.60	182.00
Lao People's Democratic Republic	34.00	19.48	16.90	27.70	187.40
Lesotho	31.50	41.90	53.30	57.30	57.00
Malawi	39.60	7.40	22.00	26.50	29.70
Mali	82.44	132.26	101.00	223.80	185.00
Moldova	127.54	73.75	148.94	198.70	222.29
Mongolia	53.70	131.50	92.90	182.30	166.50
Nepal	-0.48	14.78	-0.42	2.44	-6.55
Niger	8.44	11.47	19.71	30.29	20.49
Paraguay	104.10	27.40	37.70	97.80	130.30
Rwanda	8.10	4.72	7.70	10.50	14.97
Swaziland	90.70	-60.90	70.60	- 49.60	36.30
Tajikistan	23.54	13.57	272.03	54.48	385.20
The former Yugoslav Republic of Macedonia	174.53	96.29	157.01	99.84	350.52
Turkmenistan	131.00	226.00	354.00	418.21	730.93
Uganda	180.81	202.19	222.21	257.06	306.70
Uzbekistan	75.00	70.00	187.00	88.00	164.00
Zambia	121.70	172.00	364.00	380.00	350.40
Zimbabwe	23.20	3.80	8.70	102.80	40.00
Landlocked developing countries	**3 802.66**	**8 520.01**	**11 762.39**	**7 117.99**	**11 365.68**
Transit developing countries	**105 291.23**	**94 779.51**	**118 013.09**	**145 472.67**	**169 700.66**
Developing countries	**265 127.87**	**202 886.37**	**323 288.15**	**355 484.29**	**448 353.16**

Source: United Nations Conference on Trade and Development, Handbook of Statistics Online (accessed 15 June 2008).

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Indigenous issues

Status of the United Nations Voluntary Fund for Indigenous Populations

Report of the United Nations High Commissioner for Human Rights

Summary

The present report on the status of the United Nations Voluntary Fund for Indigenous Populations is submitted in accordance with General Assembly resolution 40/131. It indicates the activities undertaken with the resources of the Fund and shows income and expenditure as well as the pledges and payments made to the Fund. In addition, it updates the information contained in the previous biennial report (A/61/376) and reports on the twentieth and twenty-first sessions of the Board of Trustees, held in 2007 and 2008, respectively.

* A/63/150.

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I. Mandate of the United Nations Voluntary Fund for Indigenous Populations

1. The General Assembly, by its resolution 40/131, established the United Nations Voluntary Fund for Indigenous Populations. The purpose of the Fund is to assist representatives of indigenous communities and organizations in participating in the deliberations of the Working Group on Indigenous Populations of the Subcommission on the Promotion and Protection of Human Rights by providing them with financial assistance, funded by means of voluntary contributions from Governments, non-governmental organizations and other private or public entities.

2. By its resolution 50/156, the General Assembly extended the mandate of the Fund by deciding that the Fund should also be used to assist representatives of indigenous communities and organizations in participating in the deliberations of the open-ended intersessional working group of the Commission on Human Rights charged with elaborating a draft declaration on the rights of indigenous peoples, established by the Commission in its resolution 1995/32 and endorsed by the Economic and Social Council in its resolution 1995/32.

3. The General Assembly further extended the mandate of the Fund in its resolution 56/140 by deciding that the Fund should be used to assist representatives of indigenous communities and organizations in attending, as observers, the sessions of the Permanent Forum on Indigenous Issues.

4. Until 2006, the Fund assisted indigenous representatives in attending the Working Group on Indigenous Populations, the working group of the Commission on Human Rights charged with elaborating a draft declaration on the rights of indigenous peoples and the Permanent Forum on Indigenous Issues. With the conclusion of the work on the Declaration and its adoption by the General Assembly on 13 September 2007, the working group of the Commission on Human Rights charged with elaborating a draft declaration on the rights of indigenous peoples was terminated. The Working Group on Indigenous Populations held its last session in 2006 and was replaced by the Expert Mechanism on the Rights of Indigenous Peoples as part of the institution-building around the Human Rights Council. The Expert Mechanism will hold its first session in October 2008.

II. Administration and Board of Trustees

5. Pursuant to General Assembly resolution 40/131, the Fund is administered by the Secretary-General, in accordance with the relevant financial rules and regulations of the United Nations on general trust funds for humanitarian assistance and with the advice of a Board of Trustees. The recommendations of the Board are approved by the United Nations High Commissioner for Human Rights on behalf of the Secretary-General. The Office of the United Nations High Commissioner for Human Rights acts as the secretariat of the Fund and the Board of Trustees.

6. The Board of Trustees is composed of five persons with relevant experience in issues affecting indigenous populations, who serve in their personal capacity as United Nations experts. The Board members are appointed by the Secretary-General for a three-year renewable term.

7. The five members appointed for the term ending on 31 December 2008 are themselves indigenous representatives: Nadir Bekirov (Ukraine); Jannie Lasimbang (Malaysia); Lars Anders Baer (Sweden); Ahmed Mahiou (Algeria); and Tarcila Rivera Zea (Peru).

III. Grant cycle

A. Admissibility of new applications and selection process

8. Applications for travel grants to attend the 2009 sessions of the Expert Mechanism and the Permanent Forum must be submitted by the established deadline of 1 October 2008 to allow for analysis by the secretariat of the Fund and the Board of Trustees. Admissible applications will be examined by the Board at its next session, in 2009.

9. During the period between the receipt of the application and the next session of the Board, the secretariat of the Fund decides on the admissibility of applications on the basis of the mandate of the Fund.

10. Admissible application forms are verified by the secretariat of the Fund as to their conformity with approved selection criteria and additional information is requested from the organization, if necessary. Reference organizations and specialized networks are also consulted, if needed. The complete application form is then summarized and analysed by the secretariat in accordance with the selection criteria in chart form to facilitate the work of the Board.

11. At its annual session, the Board reviews all applications declared admissible, including the original application form, the analysis chart prepared by the secretariat and any other relevant information. It then makes recommendations to the Secretary-General in accordance with the criteria of the Fund.

12. After the session, the secretariat reviews all the recommendations of the Board for consistency with relevant United Nations administrative and financial rules and regulations. The High Commissioner for Human Rights approves, on behalf of the Secretary-General, the recommendations that are acceptable as well as new best practices identified during the annual session of the Board.

13. Approved travel grants include a round-trip air ticket in economy class via the most direct route from the beneficiary's home town to Geneva or New York, which each beneficiary receives in his or her local travel agency, and a daily subsistence allowance for the days of the session, which he or she receives upon arrival in Geneva or New York.

B. Monitoring and evaluation by the Board of Trustees and the secretariat

14. Recipients of travel grants are closely monitored before and during the sessions of the working groups and the Permanent Forum. They will also be monitored during sessions of the Expert Mechanism. Moreover, beneficiaries are requested to provide a copy of any statement delivered as part of their reporting obligations and to complete questionnaires on their participation and follow-up

activities upon return to their home countries. The secretariat of the Fund maintains a daily attendance sheet of the grantees.

15. At its annual session, the Board of Trustees reviews the status of all travel grants allocated in previous years, as well as the reports drafted by the secretariat analysing the questionnaires submitted by beneficiaries on their participation and follow-up activities.

16. The Chairperson, or another Board member, as well as a representative of the secretariat attend the sessions of the working groups, the Expert Mechanism and the Permanent Forum in order to meet with all beneficiaries present and to assess the impact of their participation on the deliberations of the sessions.

IV. Twentieth and twenty-first sessions of the Board of Trustees

17. The Board of Trustees held its twentieth session from 26 February to 2 March 2007 (10 meetings) and its twenty-first session from 4 to 8 February 2008 (10 meetings).

18. The Board examined information prepared by its secretariat concerning the financial situation of the Fund; new contributions paid and pledges made by Governments since the nineteenth session; applications for new travel grants to attend the sessions of the Working Group on Indigenous Populations, the Expert Mechanism on the Rights of Indigenous Peoples and the Permanent Forum on Indigenous Issues. The Board also met with representatives of donor Governments during its annual meetings with donors.

19. Grant recommendations made by the Board at its twentieth and twenty-first sessions were approved by the High Commissioner for Human Rights, on behalf of the Secretary-General, on 4 April 2007 and 15 February 2008, respectively.

A. Implementation of recommendations

20. The Board noted with satisfaction that all recommendations adopted at its nineteenth session and twentieth session had been implemented by its secretariat.

B. Financial situation of the Fund

21. The table below indicates the contributions received for the attribution of grants at the twentieth and twenty-first sessions of the Board of Trustees:

(United States dollars)

State, non-governmental organization or individual	*Twentieth session*	*Twenty-first session*	*Date paid*[a]
Algeria	5 000		December 2005
		5 000	January 2007
Australia		20 430	May 2007
Canada	24 699		March 2006
Chile	1 000		July 2006
Cyprus		3 418	March 2007
Denmark	53 004		January 2007
		52 910	January 2008
Estonia	16 841		December 2006
		26 229	August 2007
Finland	33 801		July 2006
		36 935	August 2007
France	131 752		December 2006
		129 701	February 2007
Guatemala		5 000	October 2007
Holy See	2 000		August 2006
Norway	49 100		June 2006
Spain	51 015		January 2006
	63 774		October 2006
		67 204	June 2007
Sweden		6 870	January 2007
Switzerland		178 571	December 2007
Turkey		10 000	December 2007
Venezuela (Bolivarian Republic of)	10 000		January 2007
Yorio Shiokawa — Japanese Workers' Committee for Human Rights	379		March 2006
Total	**442 365**	**537 269**	

[a] According to official receipt vouchers available at the Office of the United Nations High Commissioner for Human Rights.

C. Consideration of new applications and recommendations for grants at the twentieth session

22. The Board considered 229 admissible applications for grants and recommended 60 travel grants for indigenous representatives to attend the twenty-fifth session of the Working Group on Indigenous Populations, for a total amount of approximately $172,461. Owing to the abolition of the Commission on Human Rights, the Working Group on Indigenous Populations did not meet. All travel grants were consequently cancelled and reallocated during the twenty-first session of the Board.

23. In addition, the Board considered 288 admissible applications and recommended 67 travel grants for indigenous representatives to attend the sixth session of the Permanent Forum, held in New York from 14 to 25 May 2007, for a total amount of approximately $305,992.

	Working Group on Indigenous Populations		*Permanent Forum on Indigenous Issues*	
Geographical area[a]	*Number of applicants*	*Number of beneficiaries*	*Number of applicants*	*Number of beneficiaries*
Africa	82	19	99	20
Americas	58	17	86	20
Asia and the Pacific	69	18	83	22
Europe and the Arctic	20	6	20	5
Total	**229**	**60**	**288**	**67**

[a] The geographical distribution reflects the applications received and not necessarily the geographical distribution as used by the United Nations Secretariat and United Nations legislative bodies.

D. Consideration of new applications and recommendations for grants at the twenty-first session

24. The Board considered 154 admissible applications and recommended 78 travel grants for indigenous representatives to attend the first session of the Expert Mechanism on the Rights of Indigenous Peoples, which will take place in Geneva from 1 to 3 October 2008, for a total amount of approximately $209,066.

25. In addition, the Board considered 303 admissible applications and recommended 78 grants for indigenous representatives to attend the seventh session of the Permanent Forum on Indigenous Issues, which took place in New York from 21 April to 2 May 2008, for a total amount of approximately $357,199.

	Expert Mechanism on the Rights of Indigenous Peoples		*Permanent Forum on Indigenous Issues*	
Geographical area[a]	*Number of applicants*	*Number of beneficiaries*	*Number of applicants*	*Number of beneficiaries*
Africa	59	25	104	22
Americas	27	22	62	18
Asia and the Pacific	57	22	116	33
Europe and the Arctic	11	9	21	5
Total	**154**	**78**	**303**	**78**

[a] The geographical distribution reflects the applications received and not necessarily the geographical distribution as used by the United Nations Secretariat and United Nations legislative bodies.

E. Other recommendations adopted by the Board of Trustees

1. Trust Fund database

26. The Board recommended that the secretariat explore the possibility of developing a database containing relevant information on grants and beneficiaries, including information on their indigenous communities, the beneficiaries themselves and their respective organizations. The secretariat is currently preparing the database.

2. Dissemination of information on the Fund

27. The Board members emphasized the need to actively distribute the Fund's application forms as widely as possible, in particular in regions and countries which in the past had been underrepresented at sessions of the working groups and the Permanent Forum. The secretariat has distributed the Fund's application forms through various channels to indigenous communities and organizations located in underrepresented countries.

3. Future direction of the Fund

28. The members highlighted the fundamental importance of the Fund and the Board as an independent United Nations body that provided direct assistance to indigenous peoples and allowed them to participate in United Nations meetings of vital importance for them.

29. The Board members noted with satisfaction that the Fund and the Board were used as a model for the establishment of various other funds within and outside the United Nations system, including a voluntary fund to allow beneficiaries of travel grants to attend meetings of the Ad Hoc Open-ended Intersessional Working Group on Article 8 (j) and Related Provisions of the Convention on Biological Diversity, which had become operational in 2007, as well as a fund to provide travel grants to attend meetings of the Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore, established by the World Intellectual Property Organization, which had also become operational in 2007. The Board underlined the need to work in cooperation with the two funds so as to support the participation of indigenous peoples in international meetings.

30. The Board welcomed the adoption by the General Assembly in its resolution 61/295 of the Declaration on the Rights of Indigenous Peoples and expressed its deep appreciation to the 130 Fund beneficiaries that had actively participated in sessions of the working group on the draft declaration from 1995 to 2005. The Board thanked the Office of the United Nations High Commissioner for Human Rights for its efforts to diffuse and implement the Declaration.

4. Cost plan for 2009

31. The Board revised and approved the cost plan of the Fund for 2009, with envisaged expenditure amounting to $868,560.

F. Fund-raising

32. The Board held its meeting with donors during its twenty-first session. Representatives of Bolivia, Cyprus, Denmark, Estonia, Finland, Greece, Haiti, the Holy See, the Russian Federation, Spain, Malaysia, Mexico, the Philippines, Turkey, Venezuela (Bolivarian Republic of) and the European Commission attended. The Board expressed its appreciation for the donors' contributions to the Fund and their pledges.

33. Board members recommended sending a letter to donors in September 2008 appealing for additional contributions to be paid before its next session in order to allow it to increase further the number of grants and the representation of indigenous communities and organizations in 2009.

V. Implementation of decisions concerning travel grants

34. The secretariat of the Fund reports to the Board of Trustees at each annual session on the implementation of decisions made at its previous session and approved by the High Commissioner for Human Rights on behalf of the Secretary-General. The Board reviews the implementation of those decisions and the secretariat reports on their implementation biennially to the General Assembly.

VI. Trends over the period 2007-2008

A. Number of applications received to attend the sessions of the working groups, the Expert Mechanism and the Permanent Forum

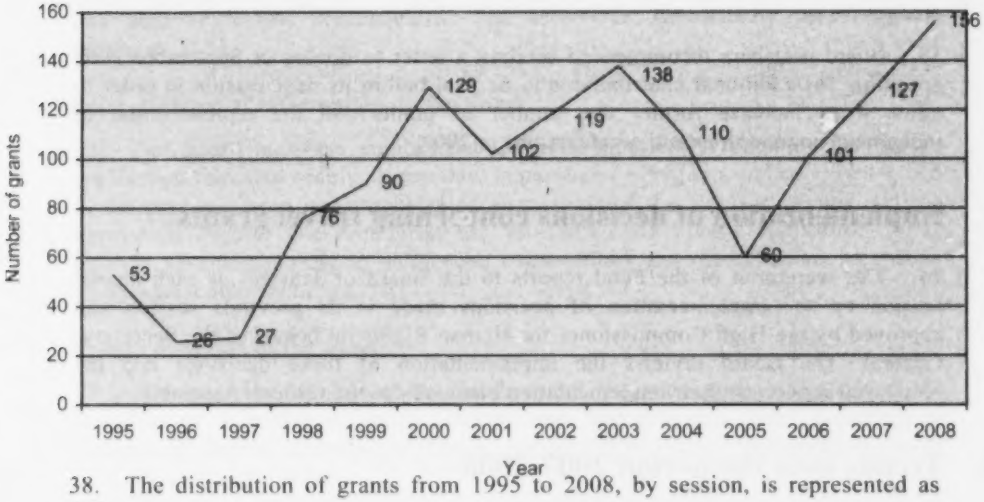
35. The table below shows a substantial increase in the number of admissible applications from 1997 (52) to 2008 (457).

	1997	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*
Working Group on Indigenous Populations	47	72	220	119	225	232	233	266	193	177	229	—
Working group charged with elaborating a draft declaration on the rights of indigenous peoples	5	3	20	36	32	27	23	35	15	15	—	—
Permanent Forum on Indigenous Issues	—	—	—	—	—	323	206	246	256	203	288	303
Expert Mechanism on the Rights of Indigenous Populations	—	—	—	—	—	—	—	—	—	—	—	154
Total	**52**	**75**	**240**	**155**	**257**	**582**	**462**	**547**	**464**	**395**	**517**	**457**

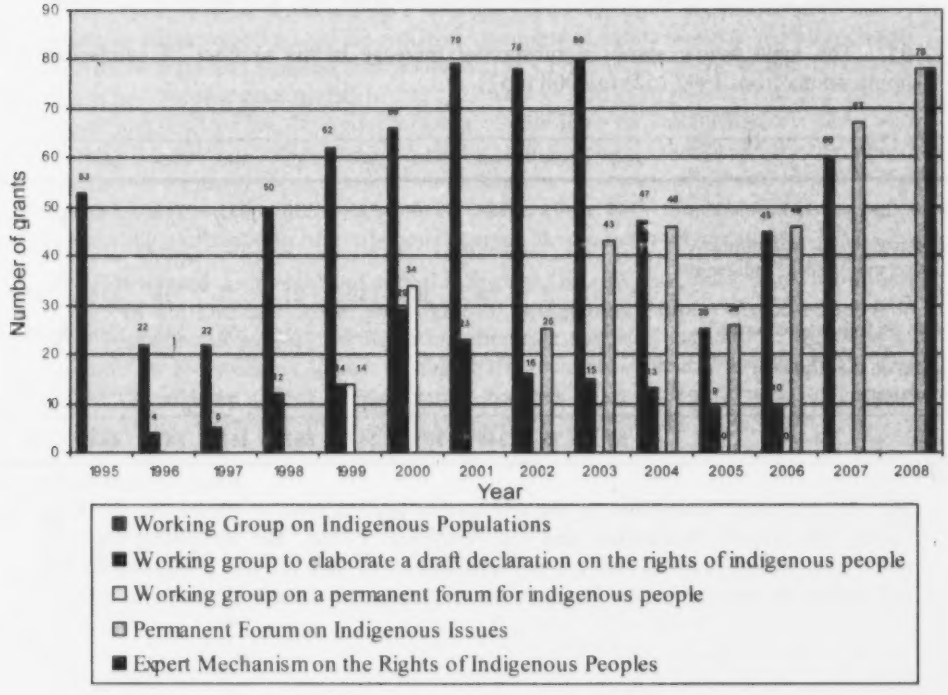
36. Every year, in addition to the admissible applications to attend the Working Group, the Expert Mechanism and the Permanent Forum, the secretariat receives more than 50 applications that are not admissible, as they are not complete, do not fall within the mandate of the Fund, or are received after the established deadline.

B. Annual allocation of travel grants

37. In 2008 the secretariat received a total of 457 admissible applications to attend the sessions of the Expert Mechanism and the Permanent Forum. With the resources available, it was able to allocate 156 travel grants. From 1995 to 2008, the Fund allocated grants as illustrated in the figure below:



38. The distribution of grants from 1995 to 2008, by session, is represented as follows:



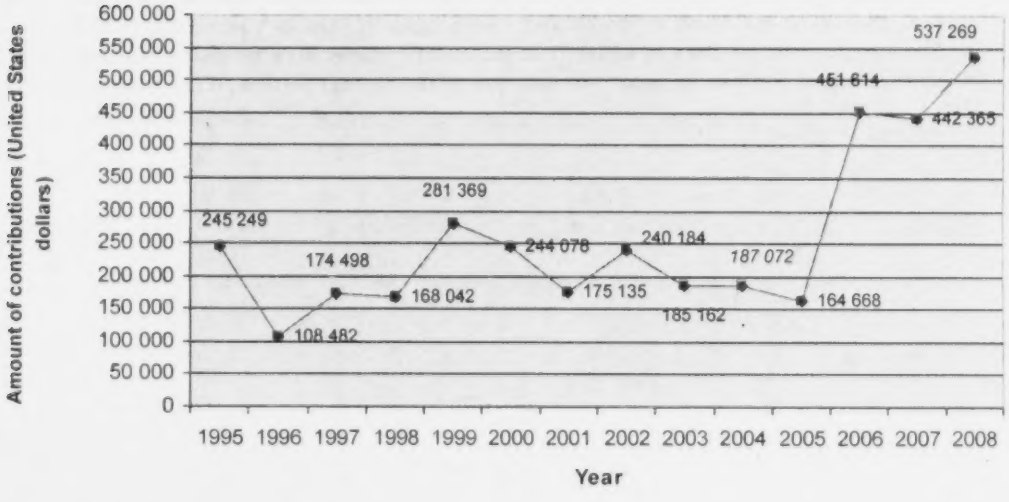
C. Contributions received by the Fund

39. The Board can allocate travel grants on the basis of the contributions paid and duly registered by the United Nations Treasurer, as well as any balance remaining from previous years, as established by the United Nations Office at Geneva.

40. Since the creation of the Fund in 1985, its mandate has been expanded three times in response to developments and the changing realities of the United Nations system and indigenous peoples. The Board and the secretariat have reacted immediately to those new challenges so as to enable indigenous peoples to benefit from each new mandate, with the support of donors. Over the years, the General Assembly and the regular donors to the Fund have viewed the Fund as an important tool in providing assistance to indigenous peoples and have recognized the accomplishments of its Board of Trustees in carrying out this task.

41. When the mandate of the Fund is extended, applications received from indigenous organizations and communities increase, therefore the amount of contributions also needs to increase so as to respond to the demands.

42. The following figure shows the trend in contributions from 1995 to 2008:



D. Annual expenditure

43. In accordance with its mandate, the only expenditures encumbered annually under the Fund are travel grants for indigenous representatives to attend the sessions of the Working Group, the Expert Mechanism and the Permanent Forum. About $30,000 is allocated every year for the organization of the session of the Board of Trustees in Geneva.

44. In addition, in accordance with the United Nations financial rules and regulations governing the general trust funds for humanitarian assistance, 13 per cent of the envisaged expenditure is set aside to cover programme support costs and 15 per cent for the operating cash reserve.

VII. How to contribute to the Fund

45. Governments, non-governmental organizations and other private or public entities can contribute to the Fund. Information on how to contribute can be obtained from the secretariat at: United Nations Voluntary Fund for Indigenous Populations, Office of the United Nations High Commissioner for Human Rights, Palais des Nations, CH-1211 Geneva 10, Switzerland. Telephone: +(41) (22) 928 97 37; +(41) (22) 928 91 64; facsimile: +(41) (22) 928 90 66; e-mail: IndigenousFunds@ohchr.org.

VIII. Recommendations

46. **The Board of Trustees of the United Nations Voluntary Fund for Indigenous Populations foresees the need to receive an additional $868,560 prior to the start of the twenty-second session of the Board, scheduled to be held from 2 to 6 February 2009, in order to be able to satisfy a sufficient number of new applicants envisaged for 2009 and to fulfil its mandate satisfactorily.**

47. **The Board of Trustees strongly encourages Governments that have not yet contributed to the Fund to do so and encourages donors to contribute to the Fund by the end of 2008 in order that the contributions may be duly recorded by the United Nations Treasurer in advance of the annual session of the Board.**

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Items 119, 120 and 131 of the provisional agenda*

Financial reports and audited financial statements, and reports of the Board of Auditors

Review of the efficiency of the administrative and financial functioning of the United Nations

Report on the activities of the Office of Internal Oversight Services

Report of the Board of Auditors on the activities of the Procurement Task Force

Note by the Secretary-General

Pursuant to paragraph 5 of General Assembly resolution 62/234, the Secretary-General has the honour to transmit herewith the report of the Board of Auditors on the activities of the Procurement Task Force for the period from 1 January 2006 to 30 June 2007.

* A/63/150.

08-43629 (E) 200808

Letter of transmittal

30 June 2008

I have the honour to transmit to you the report of the Board of Auditors on the activities of the Procurement Task Force for the period from 1 January 2006 to 30 June 2007.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
Chairman, United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Report of the Board of Auditors on the activities of the Procurement Task Force

Summary

In its resolution 62/234, the General Assembly requested the Advisory Committee on Administrative and Budgetary Questions to request the Board of Auditors to conduct an audit of the activities of the Procurement Task Force for the period from 1 January 2006 to 30 June 2007 including its compliance with established transparency and accountability measures of the Organization and the Office of Internal Oversight Services, and to report thereon separately to the General Assembly at the main part of its sixty-third session.

The present report is submitted in response to the request of the General Assembly.

Creation and composition

The Procurement Task Force was initially created for a fixed period of six months under authority of a letter of the Under-Secretary-General for Internal Oversight Services dated 12 January 2006 "to address fraud and corruption in the procurement function in the United Nations, both at Headquarters and in the various peacekeeping missions" (see A/62/272, summary). The mandate of the Task Force was later extended to 31 December 2007.

The Procurement Task Force team was set up in January 2006 and originally chaired by the head of a unit of the European Anti-Fraud Office. The current chairman of the Task Force is a former United States federal prosecutor. Since its inception, the vast majority of the members of the Task Force have been recruited from outside the United Nations and have come from 14 Member States. The Procurement Task Force was characterized by a rapid turnover of staff due to its temporary nature, which was detrimental to the continuity of some initiatives undertaken.

Resources

The resources of the Procurement Task Force, which the Board examined, do not warrant particular comment. Its level of funding remains moderate; it has not spent its entire allocated budget, which has been closely managed by the Executive Office of the Office of Internal Oversight Services.

Results

The initial focus of the Procurement Task Force was the handling of the case of eight officials placed on special leave. Its investigations led to three of the eight officials being cleared of wrongdoing. It also brought to light one serious case, which resulted in a lengthy prison sentence.

During the 18-month period ending 30 June 2007, the Task Force completed 63 investigations and issued 22 reports. As at 15 March 2008, the Task Force had published 25 reports that dealt with more than 40 contracts, and had completed 142 of the 432 cases in its portfolio, while the remaining 290 had yet to be examined.

These efforts did not expose widespread corruption at the United Nations, but the existence of the Task Force may have served as a deterrent. It also helped to eliminate undesirable suppliers from the United Nations list of vendors.

As at the end of March 2008, the Administration estimated the overall value of the contracts in which irregularities had been suspected to be around $630 million. The actual value of the losses incurred was difficult to calculate. The Administration was only able to identify clear losses of $25 million, of which $20 million related to the same person.

The Procurement Task Force recommended legal action in 13 cases; at the time of the audit, legal action had been taken in 5 of those cases. The Board was unable to ascertain whether the lack of additional cases of litigation was due to a difference of opinion between the Administration and the Procurement Task Force, or to necessary delays in the launching of such actions. Moreover, in some instances, the Office of Legal Affairs estimated that the cost of the procedures proposed by the Procurement Task Force was in excess of the sums that the United Nations could expect to recover.

While it detected some instances of criminal conduct, the Procurement Task Force uncovered many more examples of mismanagement, some of which did not constitute violations of the United Nations regulations. According to the Board, this result, together with the fact that the Task Force was put in charge of a large number of cases, reinforces the need for the Administration to clearly and strictly define the conditions under which an investigation should be launched.

While recognizing that the United Nations needs a highly efficient investigation mechanism, the Board is of the view that an investigation procedure must not be used routinely to improve accountability and efficiency in the management of services.

Methods

The Procurement Task Force used standard investigation methods. As an entity of the Office of Internal Oversight Services, it had to comply with rules of procedure set by the Office relating to investigations. It also decided in conjunction with the Office of Legal Affairs to apply additional rules of procedure that increased the rights of staff under investigation.

In accordance with the request of the General Assembly, the Board examined the compliance of the Procurement Task Force investigations with those rules and, in particular, those that protect due process. The Board conducted its review according to an audit methodology that, in essence, only gives a reasonable level of assurance regarding the regularity of a system using the examination of samples and does not allow the review of every individual case of presumed irregularities. Beside these methodological limitations, the Board emphasizes that it has no jurisdiction to hear individual cases of possible violations of due process and that the conclusions contained in the present report do not prejudge the assessments of courts called upon to hear such cases. In the light of the aforementioned limitations, the Board did not uncover any violation by the Procurement Task Force of the investigation rules established by the Organization and the Office of Internal Oversight Services, including those ensuring due process, in the cases it examined.

Nevertheless, the investigations conducted suffered as a result of the circumstances under which the Procurement Task Force was created and then operated. The circumstances were characterized, on the one hand, by the willingness of the Secretariat to adopt emergency measures and, on the other hand, the media coverage given to certain cases. Those conditions were not conducive to a smooth investigative process, neither for the investigators, nor the staff under investigation. The investigative functions of the United Nations must now be standardized in the interest of the effectiveness of procedures and the protection given to the persons under investigation.

Finally, and of particular importance, during the investigations the boundaries between an investigation, an audit and a disciplinary procedure were not always very clear to the staff under investigation.

Formalization of rules

With a view to dealing with a number of criticisms from staff interviewed between mid-2006 and April 2007, the Procurement Task Force has gradually added rules that were more favourable to the persons being questioned. However, there was never a formalized, validated synthesis of all the new rules. While the Office of Internal Oversight Services Manual, which was recorded in official United Nations documents, was easily accessible, the new rules set by the Task Force had not been made official and were therefore less accessible.

Recommendations

In the light of the Board's analysis of the operations of the Procurement Task Force as contained in the present report, the temporary nature of the Task Force and in view of the decision of the General Assembly, in its resolution 62/234, to conduct an overall review of the capacity of the Investigations Division of the Office of Internal Oversight Services of the Secretariat, the Board recommends that the Administration:

(a) **Incorporate into the permanent investigations system of the United Nations the skills and competencies of the Procurement Task Force, as well as the lessons learned from its operations;**

(b) **When implementing the recommendation above, review the investigative function in the United Nations as a whole;**

(c) **Use the investigation procedure very cautiously, only when there are well-founded suspicions that rules have been broken and only after all other reasonable actions (managerial decision, audit, etc.) have been duly envisaged;**

(d) **Standardize and consolidate the rules and procedures applicable to all investigations in the United Nations under an instruction of the Secretary-General, which should be systematically given to the staff interviewed;**

(e) **Ensure a proper handing over of pending investigations when the Procurement Task Force ceases to operate.**

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A. Introduction

1. Context

1. The Under-Secretary-General for Internal Oversight Services created the Procurement Task Force on 12 January 2006. The Task Force was to constitute an effort in addition to steps taken to date by the Investigations Division of the Office of Internal Oversight Services in the fight against fraud and corruption in procurement. This was a priority for the United Nations, confronted as it was at the time by the crisis of confidence resulting from the mismanagement of the oil-for-food programme, a crisis that in particular had led to the arrest and sentencing of a former United Nations procurement official.

2. The implementation of the Procurement Task Force, therefore, was in response to a need for rapid, effective action. It allowed the Administration to show its determination to deal with fraud and corruption in an energetic and effective manner. The context of the inception of the Procurement Task Force and, later on, of its activities, was also characterized by the media coverage given to certain cases handed over to the Task Force.

3. The Task Force was created as an ad hoc unit with a limited mission in terms of duration. Originally, the Task Force was intended to operate for six months, but its mandate was later extended to 31 December 2007. At the outset, the chairmanship of the Task Force was entrusted to a non-United Nations personality who had recognized international credibility and who had been head of a section of the European Anti-Fraud Office.

4. The Procurement Task Force is not part of the Investigation Division of the Office of Internal Oversight Services, but it reports directly to the Under-Secretary-General for Internal Oversight Services.

5. The mandate and terms of reference of the Procurement Task Force were set out in a letter dated 12 January 2006 signed by the Under-Secretary-General for Internal Oversight Services (see annex). According to that letter, the mission of the Task Force was to investigate or re-investigate all closed, existing and new cases, matters or allegations concerning procurement.

6. Originally, the working group which preceded the Task Force consisted of only six investigators. However, the number of cases to be processed was so large that the Under-Secretary-General decided, in her letter containing the terms of reference, that the Task Force would expand to include around 18 investigators and 2 support staff. At the time of its inception, the Procurement Task Force was entrusted with the cases of eight United Nations officials implicated in a report published by the Office of Internal Oversight Services (AP/2005/600/20 dated 19 January 2006) and who had been placed on special leave with pay. The Task Force then dealt with irregularities in procurement in several peacekeeping operations (the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC), the United Nations Mission in the Sudan (UNMIS) and the United Nations Stabilization Mission in Haiti (MINUSTAH), etc.) as well as cases of fraud, wasteful expenditure and corruption at United Nations Headquarters.

7. As it became apparent that the Procurement Task Force would not complete its caseload before the end of its term on 31 December 2007, the Under-Secretary-General for Internal Oversight Services proposed to the General Assembly in

November 2007 that the Task Force's mission and funding be extended by one year. In his report (A/62/520), the Secretary-General indicated that the extension would be funded "to the extent possible" by redeployment within the budget of the Office of Internal Oversight Services — as had been the case from the inception of the Procurement Task Force — and that, consequently, no additional appropriation would be needed.

8. In its resolution 62/234, the General Assembly endorsed the recommendation of the Advisory Committee on Administrative and Budgetary Questions that the Assembly take note of the interim arrangements proposed by the Secretary-General in document A/62/520 to extend the activities of the Task Force up to 2008. In the same resolution, the General Assembly requested the Advisory Committee to request the Board of Auditors to conduct an audit of the activities of the Procurement Task Force for the period from 1 January 2006 to 30 June 2007, including its compliance with established transparency and accountability measures of the Organization and the Office of Internal Oversight Services.

2. Board's methodology

9. The Board conducted its audit using a variety of approaches. It sent the Procurement Task Force a general questionnaire covering the main points of the issue. For its part, the Task Force supplied the Board with a significant number of documents that allowed valuable work to be done off site in advance.

10. The Board read the 22 final reports issued by the Procurement Task Force in the period between 1 January 2006 and 30 June 2007 a list of which is contained in the annex to document A/62/272. It selected 7 of those reports, with the objective of creating a representative sample that could be used to examine diverse situations in detail (peacekeeping operations, the management of units of the Secretariat, larger sums, smaller sums, etc.). For those seven reports, the Board examined the activities and results of actions taken and had conversations with members of the Procurement Task Force. The Board also mentioned those cases during its high-level interviews with the Administration and with the Under-Secretaries-General for Internal Oversight Services, Management, Legal Affairs and Peacekeeping Operations, respectively. The Board also conducted interviews with numerous other high-ranking officials of the Secretariat.

11. The Board also collected comments from certain staff who had been implicated and most of whom had been cleared by the Procurement Task Force. In some cases, their comments were made in writing, and in others, during ad hoc interviews. In some cases, the Board was contacted by the interested parties, while on other occasions, the Board itself established contact in a bid to broaden the sample of persons interviewed. Total confidentiality was assured in all cases.

12. In accordance with regulation 7.5 of the United Nations Financial Rules and Regulations, the Board also analysed the Task Force's use of human and financial resources, as well as its compliance with the administrative and management rules of the United Nations.

13. Finally, throughout the course of its verifications, the Board requested additional information. Without exception, all of these requests were met and the Board acknowledges the effective cooperation given by the staff and management of the Procurement Task Force.

B. Resources of the Procurement Task Force

1. Budget

14. Table 1 sets out the budget and expenses of the Task Force for 2006-2007, updating data contained in the report of the Secretary-General entitled "Resource requirements for procurement investigations" dated 14 November 2007 (A/62/520).

15. The Procurement Task Force budget is monitored and managed by the Executive Office of the Office of Internal Oversight Services.

Table 1
Estimated requirements and expenditure of the Procurement Task Force in 2006-2007
(Thousands United States dollars)

Expenditure item	*Estimated requirements*	*Expenditure*			*Unspent balance*
		2006	*2007*	*Total*	
Other staff costs	5 788.3	1 964.9	2 604.6	4 569.5	1 218.8
Travel	768.2	417.0	208.7	625.7	142.5
Consultants	369.2	237.1	107.9	345.0	24.2
Contractual services	2 203.7	698.6	706.2	1 404.8	798.9
General operating expenses	1 028.5	364.1	621.6	985.7	42.8
Furniture and equipment	59.4	7.7	39.4	47.1	12.3
Supplies and materials	82.0	51.4	17.5	68.9	13.1
Total	**10 299.3**	**3 740.8**	**4 305.9**	**8 046.7**	**2 252.6**

Source: Office of Programme Planning, Budget and Accounts.

16. In 2006 and 2007, Task Force expenditure was less than its overall allocated budget for almost all types of expenditure. The reduction in travel costs in 2007 compared to 2006 was the result of fewer trips, which in turn was largely due to difficulties with access to certain countries during the year. The absence, in table 1, of telecommunication expenses in 2006 was due to the late transmission (in 2007) of invoices for services received in 2006 and the carrying forward of those costs to 2007.

17. Since the beginning of the Procurement Task Force, at the request of the Controller, the budget allocation was split between the regular budget and the peacekeeping budget based on the actual number of cases dealt with by the Task Force. In 2006-2007, 85 per cent of funding came from the peacekeeping budget and 15 per cent from the regular budget.

2. Human resources

18. The letter dated 12 January 2006, from the Under-Secretary-General for Internal Oversight Services, containing the terms of reference of the Procurement Task Force, stipulated that the leader of the Task Force would report directly to her and that two members of the Investigations Division would be assigned to the Task

Force until 30 March 2006. The letter also stipulated that the Task Force would handle its own recruitment of around 18 persons.

19. The first leader of the Task Force was seconded from the European Union, and from April 2006, he was assisted by his future successor. It took some six months for the Task Force to have its full complement of 21 investigators, in August 2006. The current number of investigators stands at 15, for reasons that are explained later.

20. The training and experience of the members of the Procurement Task Force focus on law, finance and investigation and most of them have a doctorate and are experienced magistrates and/or lawyers. Six of the Task Force members participated in the investigations into the oil-for-food scandal, while two have considerable police experience in combating financial crime.

21. All but two of the investigators were recruited from outside the Office of Internal Oversight Services, and most of them from outside the United Nations.

22. Looking beyond the United Nations structure as a source for most of its investigators meant that the individuals recruited had competencies that the United Nations lacked up to that point. However, this also presented a challenge, in that sourcing staff externally may have resulted in a lack of understanding of the actual conditions under which the United Nations conducts its peacekeeping operations.

23. The team of investigators had consisted of individuals from 14 countries. However, the Board observed that the geographical diversity of the Task Force had diminished over time (more than one third of the members are now from North America), in particular due to the temporary nature of the team. Indeed, the contracts offered appeared to be each time less attractive to non-residents as the activities of the Task Force drew closer to their conclusion.

24. Staff turnover was very high: of the 31 managers who had been part of the team during its two years of existence, 15 had left, 7 of them after less than one year of service.

25. The temporary nature of the Task Force hindered the implementation of common and consistent investigative methods. It also led to the persons under investigation being brought face-to-face with investigators who changed frequently and hence were not always familiar with the cases.

26. This was to the detriment not only of the retention of knowledge within the Task Force but also to its credibility in the eyes of the staff under investigation. One staff member, for example, had been interviewed three times by a team of two investigators. However, over the course of the interviews, the composition of the team had changed so frequently that only one investigator had been in attendance at two of the three meetings. Another implicated staff member had been interviewed seven times over the course of 18 months by seven teams, all comprising different investigators; the first three interviews had been conducted by a completely different team each time.

27. While in some cases this diversity of representatives was explained by the fact that persons implicated were under investigation for two separate matters simultaneously, in other cases the main reason was the replacement of team members.

28. The Secretariat did not fund the ongoing training of Task Force members, as they were governed by temporary contracts. To rectify this situation, the Task Force organized in-house training in areas of common interest — such as interview methods, the drafting of reports and the uncovering of evidence — and benefited from free training and participation in two externally held seminars in exchange for taking part in the running of those seminars. Moreover, investigators who were members of a bar association could continue to receive the training provided.

29. It would have been more efficient to fund the training of the team, in view of the expectation of rapid results. Despite their experience, Task Force members needed to receive support to introduce consistency to their methods and to learn about the organization in which they were to function.

30. Procurement Task Force staff members were given an annual evaluation interview, at which time their objectives for the year were set (using e-PAS). At the time of the audit, all staff had had their annual interview, the exception was the head of the Task Force for whom it was due by the end of April 2008.

C. Results

1. Programme

31. The initial mandate set out in the terms of reference that gave rise to the Procurement Task Force in January 2006 formally transferred to it all investigations relating to procurement operations that were a part of the portfolio of the Office of Internal Oversight Services at the time. Priority was given to the examination of cases that had prompted the Secretary-General to place eight United Nations officials on special leave with pay. In 2006-2007, 340 cases were handed over from the Office to the Procurement Task Force. A further 92 cases came from other services or agencies of the United Nations including the Task Force itself during its own investigations or upon whistle-blowing.

Table 2
Origin of cases handed over to the Procurement Task Force

Origin of cases	*2006*	*2007*	*Total*
Office of Internal Oversight Services	269	71	340
Other services (including the Procurement Task Force)	48	44	92
Total	**317**	**115**	**432**

Source: Procurement Task Force.

32. According to the terms of reference of 12 January 2006, the criteria for selecting the subjects would be "criminality, financial impact, damage to the reputation of the Organization and other assessment factors, as per the risk assessment profile". The Task Force had to provide the Under-Secretary-General for Internal Oversight Services with a "strategic plan" by 17 February 2006 that

included a list of priority areas, an estimate of the corresponding volume of work and the expected dates for the submission of interim reports. The Procurement Task Force also had to prepare a monthly report, providing an up-to-date account of each investigation in progress. Those documents were issued in 2006, and then their preparation ceased in 2007. Besides, weekly management meetings were held in 2006 between the Deputy Secretary-General, the Under-Secretary-General for Internal Oversight Services, the head of the Procurement Task Force and his deputy, along with Under-Secretaries-General or their representatives from other departments (the Office of Legal Affairs, the Department of Peacekeeping Operations and the Department of Management). In 2007, similar follow-up meetings were held, albeit less frequently.

2. Work and conclusions of the Procurement Task Force

33. The results of the work of the Procurement Task Force for the period between January 2006 and mid-2007 are summarized as follows:

Table 3
Statistics on the activities of the Procurement Task Force from 1 January 2006 to 30 June 2007

Item	*Number*
Investigations	63
Reports	22
Persons placed under investigation	26
Companies cited for questionable conduct	25

Source: Procurement Task Force.

34. The Board also analysed statistics on violations uncovered in the reports. In assessing those statistics, which appear in table 4 below, the following must be taken into consideration:

(a) In some instances, the same staff member or the same company may have committed several violations;

(b) Many staff members and companies were under investigation for several reasons, such as a failure to comply with staff rules and a failure to comply with financial rules and regulations;

(c) Three of the staff members under investigation had committed violations of the same nature and, as a result, were counted several times.

Table 4
Violations exposed in the reports and legal or disciplinary proceedings

Type of violation and proceedings	*Number*
Violations	
Penal violations	11
Failure to comply with United Nations financial rules and regulations	16
Failure to comply with United Nations staff rules	23
Failure to comply with United Nations Procurement Manual	19
Proceedings	
Legal proceedings completed or in progress	8
Disciplinary proceedings completed or in progress	17

35. As indicated above, investigations relating to the eight officials placed on special leave with pay were given priority treatment. Nine reports were published on those specific investigations, which resulted in the following decisions:

(a) Three staff members were cleared of any wrongdoing and subsequently awarded compensation ranging from 18 to 24 months' pay;

(b) Four staff members were reinstated after their special leave, ranging from seven to ten months for three of the staff members, and two years for the fourth staff member. In some cases, the staff members were placed in positions that were completely unrelated to their previous activities. One staff member was placed on special leave with pay again after new information came to light. Two of the four officials who were reinstated without compensation were reprimanded by the Secretary-General who then withdrew the reprimand;

(c) One official was charged by a United States federal court with criminal offences, bribery and corruption and sentenced to an eight-year term as at the time of the Board audit.

36. Further clarification can be provided about the cases of these officials:

(a) The decision to place them on special leave with pay was made before the creation of the Procurement Task Force. That decision was based on suspicions in a climate characterized by the urgent fear of a scandal involving procurement by the United Nations;

(b) The official who appeared in court and was sentenced after the Task Force's investigation had been previously cleared of any wrongdoing by the Investigation Division of the Office of Internal Oversight Services.

37. As at 15 March 2008, the Task Force had published 25 reports that dealt with more than 40 contracts, and had completed 142 of the 432 cases in its portfolio, while the remaining 290 had yet to be examined.

38. The Procurement Task Force aims to give the arguments developed in its reports a strong foundation, in particular by making numerous references to the sources on which they are based. The methodology used to prepare the reports consists of several readings intended to ensure their quality. First, the draft report is split among several investigators who have not played a role in its initial

preparation. The report is then reread in full by a specialist investigator who was not involved in its preparation. Finally, the report is reviewed by the head of the Procurement Task Force, and then submitted to the Under-Secretary-General for Internal Oversight Services for her consideration.

39. As shown in table 5 below, the investigations varied greatly in terms of duration. On average, each investigation lasted approximately eight months.

Table 5
Duration of investigations that led to reports issued between 1 January 2006 and 30 June 2007

Duration of investigations	*Number of reports*
3 months or less	1
3-6 months	8
6-9 months	7
9-12 months	0
12-15 months	4
15-18 months	0
over 18 months or unfinished	2
Total	**22**

40. Most of the cases relating to the eight officials placed on special leave with pay in January 2006 were dealt with first, and the related reports had been submitted during the summer of the same year. The case which had already been the object of a report by the Investigations Division of the Office of Internal Oversight Services was therefore already documented and was re-examined in less than four months. However, the conclusions reached by the Procurement Task Force contradicted earlier findings by the Investigations Division — and have since been confirmed by the courts.

41. While some investigations may have been hindered by the frequent replacement of investigators, the lengthy duration of investigations was, in general, due to the complexity of the matters being investigated, the strict respect for due process, and the need to ensure that the results of the investigations had indisputable foundations.

42. This inevitable lengthy duration of investigations is another factor that should lead the Administration to limit the use of investigations to those cases in which they are justified due to specific elements and what is at stake.

3. Nationality analysis

43. The nationality analysis of the 29 staff members under investigation by the Procurement Task Force revealed that the three countries with the greatest representation were the United States of America (seven staff members, or 24 per cent of the total), the United Kingdom of Great Britain and Northern Ireland and New Zealand (three nationals, or 10 per cent each). Four countries had two nationals

each (7 per cent) under investigation. No other country had more than one national under investigation.

44. As for the vendors under investigation, the most represented countries were: the United States (26 per cent), the Democratic Republic of the Congo (13 per cent), Italy, Canada, the Russian Federation and India (9 per cent in each case).

4. Financial implications

45. As at the end of March 2008, the Procurement Task Force estimated the overall value of the contracts in which irregularities had been suspected to be around $630 million. The actual value of the losses incurred could not be determined. The Task Force was only able to identify clear losses of $25 million, of which $20 million relate to the same person.

5. Follow-up on Procurement Task Force investigations

46. Follow-up on Procurement Task Force investigations is not the responsibility of the Task Force. Nevertheless, it was analysed by the Board, as detailed below.

47. The Procurement Task Force reports contained 28 recommendations pertaining to disciplinary procedures, including some recommendations that no action be taken. Based on those recommendations and at the time of the audit, the Administration concluded that 17 staff members had been involved in misconduct and that seven of those persons had been dismissed.

48. Of the 28 recommended measures, 12 related to staff members from the Department of Peacekeeping Operations and 11 to staff members from the Department of Management. The other recommendations which had not yet been considered by the Administration at the time of the audit, related to staff of the United Nations Development Programme (4) and of the United Nations Children's Fund (1). Several cases remain open, as there are appeals in progress.

49. The Procurement Task Force recommended legal action in 13 cases; at the time of the audit, legal action had been taken in 5 of those cases. The Board was unable to ascertain the reasons for the lack of additional cases of litigation. In some instances, the Office of Legal Affairs estimated that the cost of the procedures proposed by the Procurement Task Force was in excess of the sums that the United Nations could expect to recover.

50. In several cases, implicated staff members were reproached for errors resulting not from criminal conduct, but rather mismanagement and, in particular, insufficient monitoring by supervisors of staff under their supervision who were now being investigated.

6. Sanctions on vendors

51. As at 31 March 2008, the number of vendors subject to sanctions, which generally consist of long-term or temporary exclusion from the list of companies authorized to participate in calls for bids by the United Nations, stood at 35. In this regard, it should be pointed out that the Procurement Task Force recommended lighter sanctions, which involved exclusion from the list for a limited period for those vendors that admitted to illegal conduct and agreed to cooperate with the Task Force. The Procurement Task Force now participates as a non-voting invitee in the

deliberations of the Vendor Review Committee. The PTF provides information relating to investigations and has contributed to the suspension of several vendors.

D. Procedures

1. Rules applicable at the outset

52. The Task Force's terms of reference state that the Procurement Task Force, as an entity controlled by the Office of Internal Oversight Services, must adhere to the OIOS mandate and to its Manual of Investigation Practices and Policies.

53. Published in 2005, the manual, stipulates in paragraph 14 that:

> An OIOS Investigations Division investigation, which is a fact-finding exercise completed prior to any decision by the Office of Human Resources Management to institute disciplinary or administrative action, is governed by the "due process" and "fairness" requirements of the resolution[1] and Bulletin[2] ... which obviously differ from the due process procedures required for disciplinary actions by administrative instruction ST/AI//371 on Revised disciplinary measures and procedures.

54. While it does not have the same legal standing as an instruction or a Secretary-General's bulletin, the manual is the most appropriate internal document on rules to be observed in the area of investigations. Other official documents contain additional provisions relating to the conduct of investigations, in particular the rules on staff and the report of the Secretary-General, dated 11 October 2000, entitled "Rules and procedures to be applied for the investigation functions performed by the Office of Internal Oversight Services" (A/55/469).

55. The notion of "due process during an OIOS Investigations Division investigation" is stipulated in paragraphs 47 to 61 of the investigation manual. The main points are:

(a) An investigation by the Investigations Division is not a disciplinary procedure, but rather an exercise intended to establish the facts. Article 1.2 (r) of the staff regulations states that "a staff member must respond fully to requests for information from staff members and other officials of the Organization authorized to investigate..." The General Assembly obliges all officials to cooperate with the Office. They cannot refuse to answer and are not entitled to the assistance of counsel during the ID/OIOS fact-finding exercise. The Secretary-General may consider any refusal to cooperate a violation subject to disciplinary measures;

(b) A staff member interviewed because of possible misconduct that he or she has committed has the right to be given a reasonable opportunity to put forward his or her version of the facts and to present evidence or witnesses. This means that when a staff member is asked to comment on an allegation, he or she must be aware of the scope of that allegation;

(c) The notion of due process means that, before the Office finalizes its report, the staff member must have been informed of the scope of the possible

[1] Resolution 48/218B.

[2] Secretary-General's bulletin ST/SGB/273 on the establishment of the Office of Internal Oversight Services.

misconduct of which he or she has been accused and must have had the opportunity to explain why his or her actions were proper and to present other evidence, explanations, information and witnesses;

(d) The Office does not publish the definitive text of its report without first having given the party concerned the opportunity to respond to its allegations. The Office examines the evidence and response of the person under investigation. If there are insufficient grounds to conclude that there has been wrongdoing, the Office will indicate this in its report;

(e) A staff member against whom evidence has been obtained is normally questioned by two investigators, who then prepare a written record of the interviews. A staff member who wishes to admit to a violation of a United Nations regulation, rule, directive or administrative issuance may be asked to prepare and sign a statement.

56. Moreover, paragraph 55 of the manual addresses the matter of fairness during fact-finding investigations, as follows: "the fundamental requirement of fairness during a fact-finding investigation is that the investigator has to approach it with an open mind. An investigator who has formed a concluded opinion on the issue prior to the start of an investigation must not undertake the investigation..."

57. As indicated above, the terms of reference make provision for all rules applicable to investigations by the Investigations Division to be applicable to Procurement Task Force investigations, with the following two "derogations":

(a) Persons being questioned are invited to sign the record of conversation;

(b) Without being in breach of confidentiality requirements, the head of the Procurement Task Force may inform senior management about the progress of an investigation with the intention of preventing further loss or damage to the Organization, provided that, such disclosure would not be harmful to the investigation.

2. Enhancement to the rules of procedure

58. Between mid-2006 and April 2007, the Procurement Task Force gradually added rules that were more favourable to the people being questioned. Those rules, which have not been formalized are as follows:

(a) The option to reread and sign records of conversation was extended to the employees of United Nations vendors questioned by the Procurement Task Force, if the Task Force so wished;

(b) Staff members under investigation were permitted to re-read certain items of evidence used by the Procurement Task Force as part of its investigation before the Task Force issued its final report;

(c) As at May 2007 onwards, staff members under investigation received an "adverse findings letter" before the issue of the final report, which listed the examples of conduct that came in for reproach;

(d) Staff members under investigation were permitted, if they so wished, to be accompanied by counsel.

59. This final point is worthy of closer analysis. This provision was added after a request made by a staff member to be accompanied by a lawyer was refused on the grounds that it was not permitted according to the Office of Internal Oversight Services investigation manual. The Office of Legal Affairs of the United Nations was consulted by the Procurement Task Force on the admissibility of the request and on 30 May 2006, it made the following distinction, traditionally made within the United Nations:

(a) Prior to the commencement of a disciplinary procedure, the staff member must provide the Investigations Division with his or her unconditional cooperation;

(b) Once a disciplinary procedure has commenced, a number of rights are granted to the staff member, including the right to counsel.

60. As the validation by the United Nations Administrative Tribunal of this distinction and its consequences for due process had not been considered a certainty by the Office of Legal Affairs, that Office considered that it had the possibility to expand, where appropriate, the rights of a person being questioned. This response explained the decision of the Procurement Task Force to authorize from June 2006 onwards staff members being questioned to be accompanied by the counsel of their choice.

3. Implementation of the rules

61. The Board emphasizes that it has no jurisdiction to rule on possible violations of due process by the Administration and that, as a consequence, the findings set out below do not prejudge the assessments that could be brought by the jurisdictions involved with the cases.

62. Within the limits of its review, which is based on a sample of seven reports, the Board did not find any violation of the rules of procedure as set out in the OIOS investigation manual.

63. All staff members questioned were notified in advance of the subject of the interview, at which two investigators were always present. All the staff members questioned were given the opportunity to re-read the record of conversation and, where appropriate, to correct it. The option of being accompanied by counsel was effectively used: in close to 10 cases, the Procurement Task Force, at various moments of the investigation, had to deal with the counsel of the staff members being questioned. Finally, the responses of the staff members to their "adverse findings letters" were automatically annexed to the Procurement Task Force report.

4. Analysis of criticisms of compliance with due process

64. As indicated above, the Board received or sought oral or written statements from people questioned by the Procurement Task Force based on the seven reports that were used in the sample. Although these interviews did not uncover violations of rules applicable to the investigations of the Administration, it was deemed useful by the Board to note in its report criticisms made by staff interviewed in order to analyse the reasons for them and with the intention of recommending improvements to the process.

65. Criticisms or wishes expressed by persons questioned by the Procurement Task Force and noted by the Board covered four areas:

(a) The absence of formalization, dissemination and, therefore, transparency in the rules followed by the Procurement Task Force;

(b) Conditions for the application of existing rules;

(c) The desire for additional rights;

(d) The clarification of the audit and investigative role of the Procurement Task Force and the applicable rules of procedure.

(a) Absence of formalization of the rules followed by the Procurement Task Force

66. Several of the staff members interviewed confirmed that they had requested access to the list of all the rules applicable to the Procurement Task Force investigations. The Task Force had not been able to provide such a list, owing to the mix of rules applicable to investigations by the Office of Internal Oversight Services and of new rules added by the Procurement Task Force. There was never a complete validated set of all of the rules. Moreover, while the OIOS manual, which was recorded in official United Nations documents, was easily accessible, the new rules set by the Procurement Task Force had not been made official and were therefore less accessible.

(b) Conditions for the application of existing rules

67. Most of the staff members questioned by the Procurement Task Force confirmed that they had been kept appropriately informed of the nature and framework of the interview by the investigators.

68. Certain criticisms which related to the duration of the interviews could not be corroborated. Opinion was divided between those who favoured a single interview (which, although long, would avoid the need for various trips), and those who preferred several shorter interviews. The duration of interviews was not always indicated in the record of conversation.

69. The number of investigators that could be involved in one single interview was also noted by staff interviewed as a cause for concern. Depending on the number of cases concerning the staff member being questioned, staff members may have been required to see several different investigators during the course of the same interview.

70. The turnover of investigators responsible for a case was another observation noted by the Board. The high rotation of staff within the Procurement Task Force may have led to the questioning of certain staff members in relation to a single case by two, or even three, different teams in the span of a year. According to the staff members under investigation, this frequent rotation led to interviews being conducted by investigators with limited knowledge of the rules of operation of the United Nations administration, particularly in the context of peacekeeping operations. In some cases, the credibility of the investigators was called into question by some experienced staff members interviewed by the Task Force when the investigators' lack of knowledge regarding the procurement process became apparent.

71. The Board is of the view that criticism of the lack of familiarity with the United Nations on the part of investigators is invalid in cases of violations of the

rules of the United Nations or criminal actions, but it is more relevant for cases in which investigators assessed the quality of management.

72. However, this criticism mainly concerned cases examined by the Procurement Task Force at the beginning of its activities, at a time when those of the newly recruited investigators coming from outside the United Nations necessarily had limited knowledge of United Nations processes and procedures. Several factors later led to a reduction in that lack of knowledge, including the recruitment of investigators from the United Nations and the training and experience acquired during the course of investigations.

73. The opportunity to reread the records of conversation was seen as positive by the staff questioned. However, the time that elapsed between the interview and the option to read and sign the record of conversation may have been considerable in a few instances (periods of four or nine months were observed) and increased the risk of a staff member not being able to effectively recall the conversation.

74. The Board noted that the adverse findings letter, which constitutes an additional guarantee granted by the Procurement Task Force, could be improved. Currently, it documents the general context of the allegations made against a staff member and the rules or regulations that were allegedly breached by that staff member. In most cases, however, it fails to provide the evidence supporting the findings, thereby rendering it difficult for the staff member to form an appropriate rebuttal. In other cases, it goes so far as to provide the draft text of the report related to the staff member in question, thereby creating an opportunity for him or her to build a stronger case.

75. The time given to the staff member being investigated to respond to the adverse findings letter varies and is sometimes particularly short (four days in one case). Admittedly, in numerous cases, extensions were sought and always given; however, in one case, the deadline to provide a response was given after the release date of the report, thus depriving the staff member concerned of the opportunity to have his or her comments taken into account.

(c) The desire for additional rights

76. Staff members questioned by the Procurement Task Force and interviewed by the Board strongly expressed their desire to be informed of any change in their status according to which they were questioned. Staff members could have been interviewed by the Task Force either as witnesses who were to provide an account of the organization of the service or procedures presumed to be contentious, or else they were considered to be involved as staff members who could be implicated as part of a personal investigation. This information is sometimes given orally by the Procurement Task Force but is never formally stated.

77. Similarly, staff members questioned by the Task Force and interviewed by the Board wished to be able to access information relating to the follow-up of their interviews, regardless of whether they had been cleared or suspected of any wrongdoing or crime.

78. It should be remembered that, according to the rules of the United Nations,[3] the Procurement Task Force is not permitted to give this information to a staff member under investigation nor to let him or her know that he or she is no longer under suspicion; instead, it is the role of the head of the programme of which the staff member is a part. Nevertheless, this information was rarely passed on to the persons concerned.

79. It is only in the event that the Office of Human Resources Management conducts a disciplinary procedure that the staff member under investigation receives the Procurement Task Force report and all documents that serve as the basis of allegations made against them.

80. In particularly long proceedings, emphasis must be placed on the uncertainty that was faced by staff members who did not know whether they had been cleared or accused of adverse findings, and what those adverse findings were.

(d) Criticisms related to the confusion between investigation and other procedures

81. The investigations of the Procurement Task Force are distinct from disciplinary, criminal or audit procedures. Nevertheless, the Board found that, although staff members had been duly informed of the framework within which they would be questioned, they were still confused about the different procedures.

82. The administrative nature of the Procurement Task Force investigations implied that the persons questioned would not keep a record of conversations or of documents submitted or exchanged during the proceedings. Nevertheless, the feeling among certain staff members was that the interviews had a legal nature. This led them to demand access to those documents and explained the large number of refusals to sign interview reports, given that the staff members in question were not permitted to keep a copy of the documents.

83. Moreover, some staff members were surprised by the investigative methods used, which they considered to be rude and not appropriate for issues related to mismanagement, which could be more properly dealt with in an audit.

84. The larger scope of guarantees given during a disciplinary procedure explains why staff members questioned whether the Task Force investigations were disciplinary in nature. The main objective of administrative instruction ST/AI/371, dated 2 August 1991, on disciplinary measures and procedures was to act as a reminder of due process in the event that a staff member was suspected of misconduct. In the instruction, the definition of misconduct set out in staff rule 110.1 is recalled to be "the failure by a staff member to comply with his or her obligations under the Charter of the United Nations, the staff regulations and rules and other administrative issuance, or to observe the standards of conduct expected of an international civil servant". A definition is provided of a failure to meet expected standards of conduct and includes, in particular, theft, fraud and harassment. The instruction states that, within this framework, if the Assistant Secretary-General, after completion of the preliminary investigation, decides to pursue a disciplinary proceeding, that proceeding must comply with the following requirements:

[3] See paragraph 5 (c) (v) a of resolution 48/218 B, paragraph 19 of Secretary-General's bulletin ST/SGB/273 and paragraph 19 of document A/55/469.

(a) The staff member must be informed of allegations made against him or her, and of his or her right to respond to those allegations;

(b) A copy of the documents that serve as the basis of allegations made against the staff member must be provided to the staff member in question;

(c) The staff member must be informed of his or her right to receive counsel from another staff member or a retired staff member to assist them in their response to the allegations made against him or her; he or she must also be provided with information on how to benefit from that assistance.

85. At present, the Procurement Task Force cannot meet the last two conditions, since it is not part of the framework of a disciplinary procedure as stated in paragraph 14 of the investigation manual of the Office of Internal Oversight Services.

86. Persistent confusion among people subject to investigation calls for the provision of more and specific information. In addition to the directives already mentioned, it would be advisable that the staff member being investigated be warned of any change in their "status" during the investigation, for example, from that of a witness to a potential respondent.

5. Communication and respect for confidentiality

87. The rules regarding the confidentiality of investigations conducted by the Office of Internal Oversight Services are clearly stated in the manual of investigation. In the manual, it is stated that "it is a basic principle of investigative methodology and fairness that an ongoing investigation be confidential" (para. 39).

88. The Board also noted the great care taken by members of the Procurement Task Force to guarantee the security and confidentiality of documents used in investigations in their offices. Nevertheless, the fact that press outlets disseminated certain confidential information relating to Task Force investigations at the end of 2007, without it being known how these outlets obtained that information, demands that the Administration must become more vigilant to prevent the breaching of confidentiality of its work.

E. The future of the Procurement Task Force

89. Requirements for the Task Force to continue its operations until 31 December 2008 are in place, but it will cease to exist in its current form in accordance with its provisional status.

90. In the report entitled "Strengthening investigation" (A/62/582), the Administration outlined plans to preserve the competencies and experience of the Procurement Task Force by incorporating them into the existing Investigations Division. The Board is of the view that the reinforcement and restructuring of the Investigations Division should be accompanied by a review of the investigative function of the United Nations as a whole.

F. Recommendations

91. **In the light of the Board's analysis of the operations of the Procurement Task Force as contained in the present report and the temporary nature of the Task Force, and in view of the decision of the General Assembly in its resolution 62/234 to conduct an overall review of the capacity of the Investigations Division of the Office of Internal Oversight Services of the Secretariat, the Board recommends that the Administration:**

(a) **Incorporate into the permanent investigations system of the United Nations the skills and competencies of the Procurement Task Force, as well as the lessons learned from its operations;**

(b) **When implementing the recommendation above, review the investigative function in the United Nations as a whole;**

(c) **Use the investigation procedure very cautiously, only when there are well-founded suspicions that rules have been broken and only after all other reasonable actions (managerial decision, audit, etc.) have been duly envisaged;**

(d) **Standardize and consolidate the rules and procedures applicable to all investigations in the United Nations under an instruction of the Secretary-General, and ensure that such instruction be systematically given to the staff interviewed;**

(e) **Ensure a proper handing over of pending investigations when the Procurement Task Force ceases to operate.**

G. Acknowledgements

92. The Board would like to extend its sincere thanks to the Director and all the staff at the Procurement Task Force for their openness and availability, as well as for the speed and quality of their responses to questions during this audit.

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France
(Chairman, United Nations Board of Auditors, Lead Auditor)

(*Signed*) Terence **Nombembe**
Auditor-General of the Republic of South Africa

(*Signed*) Reynaldo A. **Villar**
Chairman, Philippine Commission on Audit

30 June 2008

Annex

Terms of reference of the Procurement Task Force

Following the recent identification of procurement problems in the United Nations Procurement Service notably, including the investigation by the Office of Internal Oversight Services (OIOS) of former procurement officer Alexander Yakovlev, which has resulted in his arrest and conviction, the OIOS Investigations Division established a small working group to spend three months in addressing a number of outstanding procurement cases. The Department of Management had expressed particular concerns about the operations of the United Nations Procurement Service and sought to also have an external audit performed by Deloitte & Touche.

After several weeks of work by the Investigations Division group and management concerns about the operations and supervision of the Procurement Service arising from the audits by OIOS and the external audit by Deloitte, meetings between OIOS and United Nations senior managers led to the following decisions:

1. The problems identified in the United Nations Procurement Service were of such a magnitude that they needed to be addressed in a comprehensive way. In this regard it is hereby decided that the management and conduct of all cases, whether past, present or future within the Investigations Division concerning procurement, either in whole or in part, shall be transferred to the Task Force (the rationale for this decision is more fully explained in the note attached to these terms of reference).

2. The Investigations Division recommendation for a longer (six months) and expanded (18+/- investigators) Task Force on procurement matters should be approved with the necessary funding provided by the Department of Management.

3. Such Task Force should report directly to the Under-Secretary-General for Internal Oversight Services to ensure attention at the highest level of OIOS.

4. The Department of Management's questions regarding the prior inquiry (case No. 0125/03) into one procurement case should be reviewed and, if necessary, reinvestigated by staff from the European Anti-Fraud Office.

5. The Task Force, in consultation with the Under-Secretary-General for Internal Oversight Services, will determine which cases it accepts for investigation and the priority that should be accorded such investigations.

6. The Task Force is mandated to investigate or reinvestigate all closed, existing and new cases, matters or allegations concerning procurement. For avoidance of doubt, this is not confined to the United Nations Procurement Service at Headquarters.

Assignment

As discussed above, the Task Force, in setting priorities on investigations, will have regard to such factors as criminality, financial impact, damage to the reputation of the organization and other assessment factors, as per the risk assessment profile.

The Under-Secretary-General for Internal Oversight Services may assign other tasks as she deems necessary and appropriate.

Output

The Task Force will provide a strategic plan to the Under-Secretary-General for Internal Oversight Services for the implementation of the assignment by 17 February 2006, which will provide a listing of the priority cases, an estimate of the time needed to complete in work-hours, and timetable for interim reports.

The Task Force will provide an interim report to the Under-Secretary-General for Internal Oversight Services on the first of every month which will provide an update on each of the cases, including any change in status or timetable and an explanation for such. Where the Task Force considers it appropriate, additional interim reports will be provided on any significant development in individual cases.

As each priority case is completed, a draft final case report will be provided to the Under-Secretary-General for Internal Oversight Services. In addition, at the completion of the Task Force, a United Nations Procurement Service corruption assessment report will be provided to the Under-Secretary-General for Internal Oversight Services.

The Under-Secretary-General for Internal Oversight Services will decide which of those reports will be provided to management and which may be provided to the General Assembly, and in what form.

Supervision

The Task Force will have a Task Force Leader who will report directly to the Under-Secretary-General for Internal Oversight Services. The Leader will make recommendations for operations and activities of the Task Force to the Under-Secretary-General for Internal Oversight Services, who will direct the Task Force. The Task Force Leader will participate with the Under-Secretary-General for Internal Oversight Services in the weekly meeting convened by the Under-Secretary-General Chef de Cabinet to discuss the work of the Task Force. The Task Force Leader may designate a deputy and/or team leaders within the Task Force as appropriate once the Task Force is fully constituted.

The Task Force head will report directly to the Under-Secretary-General for Internal Oversight Services, but the Under-Secretary-General for Internal Oversight Services may designate a member of her office as responsible for the regular contact of the work of the Task Force so that routine matters may be resolved and to ensure that it is proceeding on schedule and as planned; that any problems are quickly identified and resolved; that operational difficulties are resolved.

Discussions on the conduct of the investigations as well as any legal or political problems will need to be held at least biweekly, highlighting sensitive issues or problems as key issues arise for the consideration and decision of the Under-Secretary-General.

The Under-Secretary-General and the head of the Task Force will agree on what matters will be brought to her immediate attention.

Operations

The Task Force will adhere to all United Nations rules, regulations and administration issuances in the conduct of their work and will follow the Uniform Guidelines for Investigations. They will adhere also to the OIOS mandate and to the OIOS Investigations Division manual posted on the OIOS website.

The two derogations from the above are as follows, and are confined uniquely to the Task Force for the time it is in operation:

1. From the date of entry into force of these terms of reference, all persons interviewed by the Task Force will be invited to sign a record of such interview. This requirement is more fully elaborated on in the OIOS Investigations Division manual. The record of the interview must be an accurate reflection of all matters discussed but need not necessarily be verbatim.

2. The Task Force Leader or his or her designate will not breach the confidentiality requirements as set out in operating procedure B if he or she informs senior management about the progress of an investigation with the intention of preventing further loss or damage to the Organization, provided that, in doing so, such disclosure would not be harmful to the investigation.

The Task Force will establish its own operations, files and systems to ensure that the confidentiality provisions of the mandate are followed. All material collected by the Task Force and non-public documents will be maintained under strict confidentiality, save and except as provided for in item 2 above. Safes and other security elements will be employed in the Task Force and in the office of the Under-Secretary-General.

The administrative functions will be performed by the OIOS Executive Office to include managing the financial resources, hiring staff and arranging for purchases, with assistance from support staff recruited for the Task Force. All recommendations for recruitment and for expenditures must be approved by the Executive Office.

Staffing

The Task Force will undertake its own recruitment of persons or firms which fill its needs. Two members of the Investigations Division (one each from Nairobi and Vienna) who had been part of the initial phase will be assigned to the Task Force until 30 March. However, the Under-Secretary-General for Internal Oversight Services will review the need to extend this posting to the Task Force and take such action as she considers appropriate, having regard to the progress of the investigations.

All those working in the Task Force will be required to sign confidentiality agreements which will be retained either in their personnel files if they are staff, or with the contract documents if they are firms or contractors. All contracted personnel who are involved will be required to sign the same confidentiality agreement. Penalties for violations will include debarment from doing any work in the future for any United Nations entity, denial of future employment opportunities, publication of violations on the OIOS website and immediate withdrawal or termination of any contract or other agreement for services.

Relationship to the Office of Internal Oversight Services Investigations Division

It is agreed that the management of the Office of Internal Oversight Services Investigations Division will have no responsibility for the Task Force. However, it is to be clearly understood that the Task Force remains a part of OIOS and in that regard the OIOS Investigations Division shall provide all such assistance to the Task Force as is necessary. Without limiting the above, this assistance shall include the assistance of Investigations Division investigators working at duty stations in and away from New York.

As far as access to the documents, databases and files of the Investigations Division is concerned, the Task Force investigators are to be subject to the same access, rights and obligations as those afforded the investigators of the Investigations Division.

Conclusion of the Task Force

Any matters which are within the terms of reference of the Task Force but which remain either incomplete or require follow-up action will be separately reported to the Under-Secretary-General for Internal Oversight Services, who will decide on further action and assignments. All of the materials collected by the Task Force will be provided to the Under-Secretary-General for Internal Oversight Services at the completion of the term of the Task Force.

These terms of reference come into effect on 12 January 2006.

(*Signed*) Inga-Britt **Ahlenius**
Under-Secretary-General for Internal Oversight Services
United Nations
12 January 2006

Explanatory note to the terms of reference of the Procurement Task Force

There are presently cases within the Investigations Division concerning procurement which are managed by the two Unit Chiefs. The creation of a new Task Force with dedicated responsibility for procurement cases risks duplication of effort and failure to note connections between suspect persons or companies unless all cases concerning procurement are brought within the purview of the Task Force. Although the initial objective was for the Task Force to concentrate on a number of main cases concerning procurement, it has now been decided that its remit should be to undertake a comprehensive review of all allegations in the area of procurement whether deriving from United Nations Headquarters or elsewhere.

To give best effect to this enlarged responsibility and acknowledging the hazards of having multiple groupings within the Investigations Division dealing with procurement matters, particularly when there is a specially constituted Task Force, I consider it to be more effective and efficient to assign and entrust all procurement cases to the Task Force.

There is no distinction to be drawn between the Task Force and other parts of the Investigations Division, except that the cases in the Task Force are confined to those concerning procurement. Without limiting the overall direction that all cases concerning procurement are to be transferred to the Task Force, it is acknowledged that there will be instances where it is more practicable, more efficient and likely to produce a faster outcome of an investigation if the case is pursued by Investigations Division investigators other than those assigned to the Task Force. Equally there will be from time to time investigative steps which the Task Force will ask non-Investigations Division Task Force investigators to undertake because they are there on the spot, available or well versed in the matter. In these circumstances, it is expected that all members of the Investigations Division, whether Task Force or not, will use common sense and good judgement to ensure that the most effective way of proceeding is followed. In these circumstances any investigative steps taken by non-Task Force investigators should be agreed between the Unit Chief and the Procurement Task Force Leader.

(*Signed*) Inga-Britt **Ahlenius**
Under-Secretary-General for Internal Oversight Services
12 January 2006

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Macroeconomic policy questions: international trade and development

Report of the United Nations Conference on Trade and Development on its twelfth session

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the United Nations Conference on Trade and Development on its twelfth session, which was held in Accra from 20 to 25 April 2008 (see TD/442).

* A/63/150.

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